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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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24 June 1985

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

INDUSTRIAL STRUCTURE OF CEMA COUNTRIES DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 3, 1985 pp 71-82

[Article by Engr Karel Zeman, CSc, Central Institute of National Economic Research, Prague: "The Structure of Industrial Complexes in European Member Countries of CEMA"]

[Text] The current period of development of the national economies of the European member countries of CEMA is characterized by a specific orientation of economic policy toward the speeding up of the transition to universal intensification of their reproduction processes. The fundamental prerequisite for accomplishing this intention is the perfecting and adaptation of the structure of social production, particularly of industrial complexes (see "Proclamation of Principal Directions of Further Development and Intensification of Economic and Scientific-Technical Collaboration Between Member Countries of CEMA," RUDE PRAVO, Vol 64, No 141, 1984, p 2).

The adaptation of the national economic structures of the European member countries of CEMA is proceeding under the influence of the degree of development of production forces attained, the realization of socioeconomic goals and changes in the internal and external economic conditions of the individual countries involved. The establishment of socioeconomic and political conditions for the deliberately oriented specialization of industrial complexes through socialist economic integration as an objective, planned and managed process in the development of production forces exerts a constantly more conspicuous influence.

The attaining of effects based on joining the international division of labor (and particularly as a result of international socialist economic integration) increasingly depends upon the results of the integrated national production structures into gradually forming international production structures of this association through the means of socialist internationalization of an ever widening circle of fundamental national economic proportions (see Sirjajev, Ju. S., "Mezhdunarodnoye sotsialisticheskoye razdeleniye truda (Voprosy teorii)," Nauka, Moscow, 1977, p 125). The degree of "ripeness" of the structure of national industrial complexes for carrying out this process is reflected in the results of their structural adaptation, as attained during the period of the seventies and at the beginning of the 1980's and which is also affected by the progress in coordinating national economic plans.

The influence of this factor is emphasized particularly during the period following the 36th Session of CEMA (1982) at which a program of coordination covering the period 1986 through 1990 was adopted. In this connection, the necessity to restructure social production in the CEMA member countries--in line with the needs to absorb scientific-technical progress and to speed up mutual interconnection between the structures of their national economic complexes--was stressed as a basic prerequisite for the transition to intensive development. The results of the Economic Consultation of CEMA Member Countries at the present level (1984) also stress the significance of coordinating national economic plans as the principal instrument of coordinating economic policy and perfecting the structure of national economic complexes in these countries.

#### Basic Outlines of Industrial Structural Policy for the Period of Intensification

Congresses of communist and worker parties in the European member countries of CEMA, which have been working on 5-year development plans for their national economies covering the first half of the 1980's, devoted a considerable amount of attention to the problem of adapting the structures of national economic complexes. In this connection, emphasis is placed on a more pronounced utilization of the international socialist division of labor and on economic integration for diverse solutions of disputes between the universality of national economic needs of the individual countries and the economic nonrationality of developing universal branch structures of industrial complexes in CEMA member countries.

The structural problem as a manifestation of disputes between the structure of industrial complexes in the individual countries and the changing economic and other conditions of their development takes on sharpness (in view of the specific speedup in the changes of these conditions, particularly of technical-economic conditions) at a halfway point between the 1970's and 1980's.

At the beginning of the 1980's, principal attention was oriented toward adapting the structure of industrial complexes in accordance with changes in the substitution of fundamental production factors, socioeconomic goals and in accordance with the needs stemming from these countries joining in the international division of labor. For these reasons, emphasis is placed on establishing substantive and systems conditions for the following:

- i. increasing the balance in the development of industry, particularly by removing structural disproportions within industrial complexes;
- ii. speeding up structural changes in favor of branches and sectors whose production is a carrier of scientific-technical progress for the entire national economy;
- iii. developing branches which assure the social goals of economic policy;
- iv. creating conditions for the development of export branches, particularly those realizing international specialization and cooperation between CEMA countries and those whose production fulfills the payment function in markets

of nonsocialist countries and create conditions for the development of cooperative relationships with these countries which are bilaterally advantageous.

The fundamental substantive conditions for raising structural balance and profitability of social production in the European CEMA countries include the following:

- i. adaptation of the position and structure of the fuel and energy complex and the materials base for industry, which is intended to create conditions for lowering the requirements of economic growth with respect to the consumption of energy, raw materials and other materials;
- ii. assuring the structural adaptation and development of those branches which are carriers of scientific-technical progress, that is to say of the basic branches of the materials base (chemical and metallurgical industry) and of the engineering industry;
- iii. optimalization of structural connections between subcomplexes in the heavy and light industry (or between groups of branch A and branch B), according to the needs of the socialist orientation of structural policy in this time period.

#### Basic Structural Parameters of an Industrial Complex

The structural adaptation of industrial complexes according to altered internal and external economic (and other) conditions and socioeconomic goals of development in individual European member countries and in the CEMA association as a whole during the 1970's will be seen to have been affected by the existing progress and creation of structural parameters in the years 1970 through 1983 which saw express changes in internal, and particularly external, conditions for the development of these complexes.

During this period, development of their branch structure continued in dependence upon the degree of development of production forces attained. Specific changes in external economic conditions (particularly the acquisition of energy and raw materials sources on the world market), which had an effect on the substitution between various sources of economic growth, significantly modified the development of basic structural parameters of industrial complexes within the individual CEMA member countries. The influence of the saturation of the environment by "waste products" of economic growth, which was translated into pressure to maintain an ecological balance and, thus, translated into adaptation of branch structures in the industrial complexes (specialty branches and production branches) in favor of those branches with fewer unfavorable effects upon the environment, began to be felt.

#### The Fuels and Energy Complex

The standing of the fuels and energy complex within the structure of the industrial European CEMA nations and its internal structure form decisive parameters from the standpoint of conditions involving the absorption of scientific-technical process and the intensification of the

functioning of the entire reproductive process. The development of its share in the structure of production and employment in industry has retained the tendency toward decline, which is characteristic for the growth in the degree of development of production forces and which is caused, primarily, by the reduction of the share occupied by the energy industry (see Table 1). The overall growth of its share in the structure of industrial investments occupies a constantly more significant place, a factor which is influenced by the requirements of adaptation of the structure of primary energy sources to domestic sources available in individual countries, particularly as a result of a specific orientation toward the development of electric power and thermal energy production and the general growth of costs involved in assuring primary energy sources.

Table 1. The Share of the Fuels and Energy Base in the Industrial Structure of European CEMA Nations (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Production of electric power and heat								
Gross production <sup>a</sup>	1970	2.7	2.7	4.8	5.6	2.5	3.9	3.6
	1983	2.6	2.5	5.6	5.4	2.6	2.5 <sup>c</sup>	3.5
Employment <sup>b</sup>	1970	1.6	1.6	2.3	2.8	1.7	1.9	2.1
	1983	2.0	2.9	2.6	2.8	2.3	1.4	--
Investments <sup>a</sup>	1970	11.1	14.2	12.4	15.6	11.0	15.8	11.9
	1983	17.2	14.4	22.1	14.0	15.0	20.7	9.3
Fuels industry								
Gross production <sup>a</sup>	1970	8.5	5.0	8.0	6.6	7.5	4.9	4.2
	1983	6.2	3.9	6.4	5.8	5.6	2.3 <sup>c</sup>	3.3
Employment <sup>b</sup>	1970	6.5	5.5	8.9	7.6	9.8	4.6	5.3
	1983	6.6	4.7	8.1	6.2	11.2	4.1	--
Investments <sup>a</sup>	1970	9.1	9.5	16.2	14.2	15.6	13.5	20.2
	1983	16.5	9.7	20.1	12.7	20.1	18.7	29.1

a In comparable prices (in the case of investments, physical volume).

b Industrial production personnel.

c 1982.

Note: BLR = Bulgarian People's Republic; MLR = Hungarian People's Republic; PLR = Polish People's Republic; RSR = Romanian Socialist Republic.

The priority in the development of the fuels and energy complex is obvious from the specific dynamics of the growth of investments devoted to it in favor of the overall dynamics of industrial investments, with the exception of the GDR and the Bulgarian People's Republic for the period 1974-1983 when conditions in the acquisition of fuel and energy sources from world markets changed permanently. The average annual growth rate of investment in percent was as follows:

<u>Item</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Fuels and energy complex	11.0	7.8	8.2	4.6	4.7	13.4	8.7
Industry, total	5.5	7.7	4.1	5.8	1.9	10.2	6.8

In 1983 the fuels and energy complex in seven European CEMA countries accounted for roughly 34 percent of all industrial investments. The group of countries where it accounted for a higher share included Hungary (42.2 percent), Romania (39.1 percent), USSR (38.4 percent), followed by Poland (35.1 percent), Czechoslovakia (33.7 percent), GDR (26.7 percent) and Bulgaria (24.1 percent). From the investments expended to develop the fuels and energy complex, the significance of lowering specific energy consumption in the process of economic growth, is obvious.

The adaptation process toward the intensified utilization of primary energy sources manifests itself in the structure of the fuels and energy complex in the European CEMA countries by a growth of the share of production of electricity and heat in its internal structure (that is to say, by a growth in electrification). Until the beginning of the 1980's this process was less intensive in Czechoslovakia and in the other European countries of the association. The maintenance of a high share of investments for the production of electricity and heat of the total investment volume in the fuels and energy complex points to the creation of conditions for the gradual improvement of this structural parameter.

The European CEMA countries reacted to changes in the internal and external conditions involved with acquiring primary energy sources in the 1970's by a permanent decline in the dynamics of energy consumption (tons of standard fuel) per unit of national income (in national currencies).

#### Average Annual Growth Rate (in percent)

<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
1971-1975	-2.4	-2.2	0.1	-4.1	-7.4	-5.7	0.4
1976-1981	-1.6	-3.8	-5.8	-2.2	-3.5	-2.6	-1.8

The easing in the dynamics of decline in a number of countries for the period 1976-1981 signaled a considerable exhaustion of the easily mobilized rationalization sources of energy consumption (Czechoslovakia, GDR, Poland, Romania). A certain influence upon the development of the standing of the fuels and energy complex within the structure of industry (which acted against its growth) was also exerted by the decline in the group of branches of the material base, which were heavy users of energy (the chemical industry, the rubber industry, the metallurgical, building materials, glass, porcelain, ceramics, cellulose and paper industries), both with respect to the structure of production and employment, as well as with respect to industrial investments (see data in Table 3).

A particularly positive factor is the lowering of the share of the metallurgical industry (one of the largest energy users) in the structure of production

of this group of branches. However, Czechoslovakia continues to show its share to be the highest, which renders the lowering of energy requirements in the economic growth more difficult. The listed development of the standing of the fuels and energy complex in the industrial structure of European CEMA countries is creating gradually more favorable conditions (by lowering its share and by the electrification of its internal structure) for the intensification of the entire reproduction process. However, it is accompanied by a specific growth of investment requirements for the fuels and energy complex-- a factor which will also be characteristic for the future.

Table 2. Share of the Group of Light and Heavy Processing Industries in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Light industry								
Gross production <sup>a</sup>	1970	31.7	49.2	31.4	33.2	32.7	30.9	44.8
	1983	27.3	35.0	27.6	27.9	27.3	24.0 <sup>c</sup>	34.5
Employment <sup>b</sup>	1970	31.5	45.7	34.5	22.8	35.7	44.7	34.5
	1983	29.6	37.9	35.1	25.8	33.3	37.0	--
Investments <sup>a</sup>	1970	22.3	23.6	18.0	14.9	16.6	16.1	17.7
	1983	15.3	11.4	15.6	10.3	19.4	12.3	14.0
Heavy industry								
Gross production <sup>a</sup>	1970	57.1	43.1	55.7	54.6	57.4	60.2	47.3
	1983	63.9	58.7	60.4	60.0	64.5	71.2 <sup>c</sup>	58.7
Employment <sup>b</sup>	1970	60.4	47.2	54.3	66.8	52.7	48.8	58.1
	1983	61.9	54.5	54.2	65.2	53.2	57.6	--
Investments <sup>a</sup>	1970	57.6	52.6	53.4	55.2	56.8	54.7	50.2
	1983	51.0	64.1	42.2	63.1	45.5	48.7	47.7

a In relative prices.

b Industrial production personnel.

c 1982.

Table 3. Share of the Group of Branches of the Materials Base and Engineering Industry in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Materials base								
Gross production <sup>b</sup>	1970	27.6	21.3	25.1	22.9	26.4	28.5	21.5
	1983	26.6	23.9	26.9	23.3	24.1	26.8 <sup>c</sup>	20.5
Employment <sup>c</sup>	1970	21.3	20.8	20.2	22.4	21.4	22.2	18.2
	1983	21.3	24.7	20.1	21.2	19.3	20.5	--
Investments <sup>b</sup>	1970	37.4	30.7	34.4	27.4	36.1	34.1	26.2
	1983	26.1	22.7	26.8	39.1	21.5	26.9	20.8
Engineering and metalworking industry <sup>b</sup>								
Gross production <sup>b</sup>	1970	29.5	21.8	30.6	31.7	32.2	31.7	25.7
	1983	37.4	34.8	33.5	37.6	40.3	44.3 <sup>c</sup>	38.1



Table 3 (continued)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Employment <sup>c</sup>	1970	39.1	26.3	34.2	44.2	31.4	26.6	40.0
	1983	40.5	29.8	34.1	44.1	33.9	37.0	--
Investments <sup>b</sup>	1970	20.2	22.0	18.9	27.9	20.7	20.6	23.9
	1983	24.9	41.5	15.4	24.0	24.1	21.7	26.9

a Metallurgical and chemical industry, building materials industry, glass, porcelain and ceramics industry and paper and cellulose industry.

b In relative prices.

c Industrial production personnel.

#### Structural Proportion of the Processing Industry

The basic structural proportion of the industrial complex, which reflects the growth in the degree of development of production forces is created by the development of the share accounted for by the light industry and heavy processing industry branches (see data in Table 2). The branch of the heavy processing industry, which, in the concept used here, includes the group of branches of the materials industry (metallurgy and chemical industry, building materials industry, glass industry, porcelain industry, ceramics industry, paper and cellulose industry, and the engineering and metalworking industry continued to occupy a dominant position in the structural profile of industrial complexes of all European CEMA countries even at the beginning of the 1970's. Just like in the previous period, its growth is influenced by a growth in the share of the engineering and metalworking industry at the expense of the group of branches forming the materials base (see Table 3). However, there is beginning to appear a more specific tendency toward stabilization in the share of this group of branches, both in the structure of production as well as with respect to employment and toward a mild decline in the structure of industrial investments at the beginning of the 1980's. The attained degree of development of production forces and the constant changes in the internal and external economic conditions and the goals of socioeconomic development for the period of the 1980's demand the optimalization of this structural proportion in the direction of more specific stabilization or, in some countries, a growth in the share of the light processing industry. This tendency is caused also by the necessary corrections in the structural proportions of the heavy processing industry in line with requirements for intensification of industrial reproduction processes with a view toward the needs for having it join in the international division of labor. Particularly the expansion of the international specialization and cooperation into production is seen as the basic way toward optimizing this structural proportion in the industries of European CEMA countries.

#### Structural Proportion of the Heavy Processing Industry

Changes in the conditions of substitution pertaining to production factors in the course of the 1970's and the bringing together of the branch structures of industry among European CEMA countries result in the need to particularly

reevaluate the structural ties of the heavy processing industry between the share of the materials base and the engineering and metalworking industries. During the past period, this structural proportion was influenced considerably by the growth in the export of engineering products from six of the European CEMA countries, which were used as a means of payment for imports from the extractive industries of the USSR or other branches of the processing industry from other countries, that is to say possibilities of intrabranh division of labor between them. The attained level in the development of production forces in these countries at the beginning of the 1980's and the structures of their industrial complexes (the degree of their similarity) require that this structural proportion be solved with the aid of intrabranh division of labor.

The basic macrostructural proportion of the materials base, which reflects and is decisive for the absorption of scientific-technical progress, is development in the relationship of the shares of the chemical and metallurgical industry (see data in Table 4). Here also an objective tendency accompanying the growth of production forces under conditions of absorbing scientific and technical progress, that is to say a decline in the share of the metallurgical industry and a growth in the chemical and rubber industries, is reflected in all analyzed countries. The relationship between the shares of the metallurgical and chemical industry in the structure of industry is shown below (on the basis of data contained in Table 4):

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Gross production <sup>a</sup>	1970	0.54	1.16	0.76	1.42	1.24	1.93	0.82
	1983	0.83	1.49	1.53	1.59	1.79	2.68 <sup>c</sup>	1.26
Employment <sup>b</sup>	1970	0.64	0.94	0.81	1.40	1.22	0.97	1.41
	1983	0.70	0.97	1.01	1.56	1.30	1.15	--
Investments <sup>a</sup>	1970	1.37	3.68	0.81	2.40	0.98	0.97	1.31
	1983	0.78	1.49	0.76	0.57	2.02	1.09	1.40

a In relative prices.

b Industrial production personnel.

c 1982.

Table 4. Share of Metallurgical and Chemical Industry in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Metallurgical industry								
Gross production <sup>a</sup>	1970	13.6	7.0	11.9	7.4	9.5	7.6 <sup>d</sup>	8.7
	1983	11.1	7.2	9.0	7.3	7.1	5.9 <sup>d</sup>	6.8
Employment <sup>b</sup>	1970	7.6	6.5	7.7	6.5	5.9	6.9	3.9
	1983	7.4	7.9	6.9	5.7	5.3	6.1	--
Investments <sup>a</sup>	1970	10.4	4.8 <sup>c</sup>	13.2	5.5	13.1	12.4	7.5 <sup>c</sup>
	1983	9.6	6.3 <sup>c</sup>	12.2	20.2	5.4	10.8	6.2 <sup>c</sup>



Table 4 (continued)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Chemical and rubber industry								
Gross production <sup>a</sup>	1970	7.4	8.1	9.0	10.5	11.8	14.7	7.1
	1983	9.2	10.7	13.8	11.6	12.7	15.8 <sup>d</sup>	8.6
Employment <sup>b</sup>	1970	4.9	6.1	6.2	9.1	7.2	6.7	5.5
	1983	5.2	7.7	7.0	8.9	6.9	7.0	--
Investments <sup>a</sup>	1970	14.2	17.7	10.7	13.2	12.8	12.0	9.8
	1983	7.5	9.4	9.3	11.5	10.9	11.8	8.7

a In relative prices.

b Industrial production personnel.

c Ferrous metallurgy.

d 1982.

This unfavorable structural proportion noted in the material base of Czechoslovak industry, which is characterized by a high share of the metallurgical industry (around 77 percent of its gross production is accounted for by ferrous metallurgy) and a comparably low share of the chemical industry which arose in conjunction with development up to now, continues to be in conflict with the natural domestic and external economic conditions of the Czechoslovak industrial complex, particularly in conflict with the requirements for intensifying its reproduction process. The inadequate pace of raising the technical-economic parameters of the metallurgical production volume and the existing structure and parameters governing the production of the Czechoslovak chemical industry (particularly of plastics for the substitution of metallurgical materials) and the limited opportunities for its development during the first half of the 1980's (expressly lower dynamics in the period 1981 through 1985--according to conclusions of the 16th Congress of the CPCZ, a correction of this structural process is anticipated in the period 1981-1985 but complex external economic conditions make its adaptation a very complicated matter) do not create the necessary conditions for speeding up the adaptation of this structural proportion in the Czechoslovak materials base. This need is also given by a comparably significant saturation of the Czechoslovak reproduction process with the basic construction material--steel--as can be judged from the development and level of the measured consumption of raw steel (that is to say production minus exports plus imports in kilograms per capita):

<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
1970	617	273	298	532	359	318	454
1982	727	337	345	570	398	517	--

A speed-up in the adaptation of this structural proportion to a decisive extent also depends on a more pronounced utilization of international specialization and cooperation of production within the framework of socialist economic integration. A significant impulse in this direction is represented by the conclusions of the Economic Consultation of CEMA Member Countries at the

highest level (1984) which stressed the significance of mutual cooperation in perfecting the structures of metallurgical and chemical production.

The structural proportions of the other branches of the materials base, that is to say the building materials industry, the glass, porcelain and ceramics industries (and the paper and cellulose industries) are influenced by the decline in investment activity in all European countries of CEMA at the end of the seventies and beginning of the 1980's and by specific natural conditions for their development in the individual countries concerned (see data in Table 5).

Table 5. Share of Nonmetallic Raw Materials Processing Branches in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
<b>Building materials industry</b>								
Gross production <sup>a</sup>	1970	3.5	4.0	2.1	2.2	3.0	4.2	4.3
	1983	3.2	4.0	1.6	1.8	2.1	3.5 <sup>c</sup>	3.5
Employment <sup>b</sup>	1970	4.0	5.0	3.4	3.3	5.0	5.8	6.9
	1983	3.9	5.3	3.0	2.9	3.9	4.6	--
Investments <sup>a</sup>	1970	7.1	4.3	5.6	6.0	6.9	6.2	7.0
	1983	3.5	4.4	2.6	2.0	3.0	2.3	4.3
<b>Glass, porcelain and ceramics industries</b>								
Gross production <sup>a</sup>	1970	1.4	1.0	1.0	1.0	0.8	0.7	0.6
	1983	1.4	0.9	1.3	1.1	1.2	0.7 <sup>c</sup>	0.8
Employment <sup>b</sup>	1970	3.1	2.0	1.8	1.9	1.9	1.4	1.0
	1983	3.1	2.2	2.0	2.0	2.0	1.7	--
Investments <sup>a</sup>	1970	1.9	1.3	1.7	1.2	1.3	1.9	0.6
	1983	2.0	0.8	0.9	4.2	0.8	0.3	0.3

a In relative prices.

b Industrial production personnel.

c 1982.

A decisive role in the process of adapting the structure of industry (particularly of the heavy processing industry) in the European CEMA countries in line with conditions for intensifying their reproduction processes and the requirements of the current period calling for the intensification of economic and scientific-technical collaboration is played by the optimization of the position occupied by the engineering industry in the industrial structure. At the beginning of the 1980's, a sizable coming together in the magnitude of the share of the engineering and metalworking industries in the structure of European CEMA country industries was accomplished (see data in Table 3). For this reason, the possibilities for international division of labor between these countries, based on a barter of fuels, raw materials and other materials for production from the processing industry, particularly the engineering and light processing industry, that is to say opportunities for the interbranch division of labor--have been essentially exhausted.

The results of a number of analyses indicate that the magnitude of the share of the engineering and metalworking industry in the structure of the industrial complex will be constantly and increasingly subordinated to the attained degree of development of production forces in the individual socialist countries which, under concrete conditions prevailing in the 1980's, will slow the growth in the share occupied by this branch in the industrial structure.

#### Structural Proportion of the Light Processing Industry

The emphasis placed on the realization of socioeconomic goals in the industrial policy of European CEMA countries translates into structural adaptation of the status of the light processing industry branch within the industrial structure. Despite the fact that the development of the share of the branches of this subcomplex (wood processing industry, textile and leatherworking materials and food industry) is progressing in accordance with the standard schematic, that is to say as the degree of development of production forces grows, their share in the structure of industry declines, the considerable influence of specific factors, particularly the availability of suitable and opportune natural conditions and long-term production traditions, is felt. In a number of countries, the influence of external national economic demand, particularly the import requirements of the USSR market, in which the production of these branches fulfills an important ready-payment function, particularly for covering imports of raw materials and energy, is also making itself felt in a number of countries. The above significance of this production will be maintained (and will grow) even in the period of the 1980's and the 1990's.

The orientation toward utilization of domestic raw materials bases and to satisfy the demands of the populace is reflected in the development of the wood processing branch (see data in Table 6).

Table 6. Share of Wood Processing Branch in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Wood processing industry								
Gross production <sup>a</sup>	1970	4.1	3.9	2.7	3.1	3.4	5.6	4.1
	1983	4.2	2.4	2.8	3.0	3.5	3.4 <sup>c</sup>	3.0
Employment <sup>b</sup>	1970	4.8	8.4	3.9	3.2	4.9	14.3	8.6
	1983	4.8	6.1	3.4	4.1	4.4	9.2	--
Investments <sup>a</sup>	1970	3.6	3.7	1.0	3.4	1.7	4.6	4.1
	1983	2.5	2.1	1.6	1.3	1.8	2.3	2.8
Cellulose and paper industry								
Gross production <sup>a</sup>	1970	1.7	1.2	1.1	1.8	1.3	1.3	0.8
	1983	1.7	1.1	1.2	1.6	1.0	0.9 <sup>c</sup>	0.7
Employment <sup>b</sup>	1970	1.7	1.2	1.1	1.6	1.4	1.4	0.9
	1983	1.8	1.6	1.0	1.6	1.2	1.1	--
Investments <sup>a</sup>	1970	3.8	2.6	3.2	1.5	2.0	1.6	1.3
	1983	3.6	1.8	1.7	1.2	1.4	1.7	1.2

Table 6 (continued)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Polygraphic industry								
Gross production <sup>a</sup>	1970	0.7	0.5	0.8	0.8	0.6	0.7	--
	1983	0.6	0.4	1.1	0.5	0.7	0.3 <sup>c</sup>	--
Employment <sup>b</sup>	1970	1.3	0.9	1.3	1.2	1.2	1.0	--
	1983	1.1	1.0	1.4	1.1	1.1	0.4	--
Investments <sup>a</sup>	1970	1.1	1.0	1.1	0.5	0.5	0.2	0.4
	1983	0.4	0.3	0.6	0.3	0.8	0.1	0.4

a In relative prices.

b Industrial production personnel.

c 1982.

From the standpoint of its share in the volume of investments made in industry, all European CEMA (with exception of Czechoslovakia) registered decline at the beginning of the 1980's. A more precise picture about the specialized profile of this group of branches at the beginning of the 1980's (in 1983) is given by a comparison of the domestic structure of gross production in percent (on the basis of data contained in Table 6):

<u>Item</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Wood processing industry	64.6	61.5	54.9	58.8	67.3	73.9	81.1
Cellulose and paper industry	26.2	28.2	23.5	31.4	19.2	19.6	18.9
Polygraphic industry	9.2	10.3	21.6	9.8	13.5	6.5	--

Table 7. The Share of Textile and Leatherworking Raw Materials Processing Branches in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Textile industry								
Gross production <sup>a</sup>	1970	5.5	10.0	5.5	6.4	7.9	6.4	11.7
	1983	4.9	8.2	4.2	5.6	5.6	6.5 <sup>c</sup>	8.7
Employment <sup>b</sup>	1970	8.8	11.8	9.1	7.1	11.1	10.9	7.0
	1983	8.2	10.7	7.7	7.0	8.5	11.6	--
Investments <sup>a</sup>	1970	7.3	6.4	3.8	3.8	5.0	3.8	2.9
	1983	2.9	2.2	2.1	2.1	2.8	2.2	2.9
Clothing industry								
Gross production <sup>a</sup>	1970	1.9	5.2	3.1	2.2	3.1	4.9	3.8
	1983	1.6	3.5	2.4	1.9	3.1	5.5 <sup>c</sup>	3.2
Employment <sup>b</sup>	1970	4.5	6.2	4.8	2.3	4.4	5.8	--
	1983	3.8	5.4	5.0	3.4	4.5	5.8	--
Investments <sup>a</sup>	1970	0.8	0.7	0.4	0.9	0.5	0.6	0.5
	1983	0.6	0.4	0.6	0.4	0.9	0.4	0.3

Table 7 (continued)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Leatherworking industry, including production of footwear								
Gross production <sup>a</sup>	1970	2.6	2.1	2.2	1.6	2.0	2.1	2.4
	1983	2.3	1.1	1.6	1.6	1.8	1.7 <sup>c</sup>	1.7
Employment <sup>b</sup>	1970	4.0	3.1	4.4	1.8	3.3	4.1	2.3
	1983	3.8	2.6	4.2	2.3	3.2	3.7	--
Investments <sup>a</sup>	1970	1.1	1.0	1.0	0.6	0.9	0.4	0.6
	1983	1.0	0.3	0.7	0.6	0.8	0.3	0.3

a In relative prices.

b Industrial production personnel.

c 1982.

The development of the share of the textile and leatherworking raw materials processing industry is also subordinate to the economic and industrialization level--in the majority of countries, their growth is declining (see data in Table 7). The provision of the populace with quality products of these branches demands a more intensive joining into international specialization and cooperation of production, not only with countries of the association but also with respect to developing nations. This will facilitate the overcoming and solution of "structural" problems of this group of branches, which are quite dependent on the use of manpower and the import of raw materials.

The share in gross production by the group of branches in the textile and leatherworking raw materials processing industry in 1983 (in percent) was as follows--on the basis of data contained in Table 7:

<u>Item</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u> <sup>a</sup>	<u>USSR</u>
Textile industry	55.7	64.1	51.2	61.5	53.3	47.4	64.0
Clothing industry	18.2	27.3	29.3	20.9	29.5	40.1	23.5
Leatherworking industry, including shoe industry	26.1	8.6	19.5	17.6	17.2	12.4	12.5

To assure the populace sufficient production from the food processing industry and to improve the quality of its structure is considered to be a primary sociopolitical task of economic policy in all European CEMA countries. Also, the development of its share in the industrial structure is subordinated to a considerable extent to the attained degree of development of production forces--this development drops as the share of the industry rises (see data in Table 8).

However, all European CEMA countries are devoting attention to optimizing the development of this branch in the first half of the 1980's, a factor which is reflected in the slowdown of the dynamics of the decline in its share in the structure of industrial production. A significant role in the current phase

of the development of the CEMA association is played in the region by the covering of import raw materials and energy sources from the USSR. The growth in the profitability involved in processing agricultural products and the increased involvement of this branch in international division of labor, orients the adaptation of its position within the industrial structure of European CEMA countries at the beginning of the 1980's more expressly toward the stabilization of its share.

Table 8. Share of the Food Processing Industry in the Industrial Structure of European CEMA Countries (in percent)

<u>Item</u>	<u>Year</u>	<u>CSSR</u>	<u>BLR</u>	<u>MLR</u>	<u>GDR</u>	<u>PLR</u>	<u>RSR</u>	<u>USSR</u>
Gross production <sup>a</sup>	1970	16.8	27.5	17.0	19.0	15.7	11.1	22.8
	1983	13.5	19.3	15.5	15.3	12.6	6.6 <sup>c</sup>	17.9
Employment <sup>b</sup>	1970	8.1	15.3	10.9	7.2	10.9	8.6	9.5
	1983	7.9	12.3	13.5	8.0	11.6	6.3	--
Investments <sup>a</sup>	1970	8.2	10.9	10.8	5.8	8.0	6.4	9.2
	1983	7.8	6.6	10.2	5.5	12.3	7.0	7.1

a In relative prices.

b Industrial production personnel.

c 1982.

The adaptation of the structure of mutual proportions of the branches of the light processing industry in line with the requirements and intentions of intensification of reproduction processes within the industrial complex of the European CEMA nations orients the principal attention to lowering the dependence of its development on the importation of raw materials through a greater utilization of opportune natural conditions in the individual countries concerned and toward lowering the manpower requirements in these branches by connecting them more specifically to the international division of labor, particularly to the international specialization and cooperation of production with respect to European CEMA countries.

#### Tendencies in the Development of the Structure of the Industrial Complex in the 1980's

The adaptation of the structure of industrial complexes in the individual European CEMA countries will be subordinated to their attained degree of development in production forces but the coordination of the structural policy within the framework of the CEMA association will play an ever increasing role. Through the creation of a specialization profile of the structure of industrial complexes of these countries they will be more specifically influencing the conditions for acquiring raw materials and energy sources on world markets (particularly through imports from the USSR) and the growing demands (both domestic as well as foreign) for quality of products.

The attained high degree of industrialization development in European CEMA countries which translates, to a great extent, into the coming together of the branch structure of their industrial complexes, will create new conditions for

mutual economic relations between these countries (and with other parts of the world economy) and for the creation of a specialization profile of their industrial complexes.

The export/import character of their joining in the international division of labor will be stressed, that is to say a tendency toward intrabranh division of labor, realized through the means of international specialization and cooperation of production, will be stressed. The influence of this tendency will be reflected in the development of the share of a number of branches within the structure of the industrial complexes of these countries (particularly in the engineering and metalworking industries).

The anticipated speed-up in the absorption of scientific-technical progress in the reproduction processes of these countries (the basic conditions for increasing the measure of their intensification) will orient production programs in the processing industry branches toward production having a higher degree of processing, that is to say their dependence upon highly qualified workers and results of domestic scientific-technical progress or upon its transfer between CEMA countries and other parts of the world economy.

In conjunction with the listed conditions of structural adaptation of industrial complexes in these countries and based on the proceeding development of their structures it is possible to anticipate the following tendencies in the basic structural parameters:

i. a continuing trend in the decline of the share of the fuels and energy complex will be influenced by specific conditions reflected in the development of prices for primary energy sources in the world markets in the individual countries, particularly by the progress made in the rationalization of energy consumption. A general continuation of the measure of electrification within the structure of the fuels and energy complex in individual countries will be particularly influenced by the progress of nuclear power plant construction;

ii. the continuing chemicalization of the structure of the materials base will be influenced by the continuing decline in the share of the metallurgical industry, even if the dynamics of the growth of the share of the chemical industry were to slow. The subordination of the dynamics of investment construction to the conditions and requirements of the developments of the national economies of the countries of the association will exert an influence upon the further decline in the share of the building materials industry. The maintenance or slight growth in the glass, porcelain and ceramics industry will reflect a tendency of progressive changes in the structure of the materials base for the construction industry;

iii. the engineering and metalworking industries will retain their dominant position in the structure of the industrial complex in all European CEMA countries. The attained high degree of development in their ratio of production forces even with respect to this branch, coupled with a probable tendency for the development of domestic and external national economic demand for its products, will orient its development toward stressing intrabranh structural changes. This direction will result in a slackening of growth in the share of

the engineering and metalworking industry in the product structure of the industrial complex;

iv. the anticipated slower decline of the share of the light processing industry will be influenced in future periods by the emphasis placed on the role of its production in the structure of popular consumption and by joining the industrial complexes of a number of countries into the international division of labor (particularly with respect to processing wood products and the food industry). However, it must be anticipated that a significant influence upon the development of the share of the subcomplex involved in processing textile and leatherworking raw materials will be exerted by the emphasis placed on qualitative and utilitarian parameters of the products and by increased competition from developing nations on world markets.

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INTERNATIONAL AFFAIRS

GDR DEFECTOR ON CEMA'S POOR ECONOMIC PERFORMANCE

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[Interview with Dr Wolfgang Seiffert by INDUSTRIE staff reporter Adelbert Reif. Date and place of interview not given.]

[Text] Dr Wolfgang Seiffert was born in 1926 in Breslau. In World War II, he served in the navy and was taken prisoner, returning from captivity in 1949. In 1960, he finished his law studies at Humboldt University in East Berlin with honors. Temporally displaced, he studied economic sciences at the College for Economics in Berlin-Karlshorst. He graduated in 1963.

In 1967, Dr Seiffert became an instructor and that same year he took over the management of the newly established Institute for Foreign Law and Comparative Law at the GDR's Academy for Political Science and Jurisprudence in Potsdam-Babelsberg. In 1969, he was appointed full professor for international economic law and comparative law.

Prof Seiffert was vice president of the GDR's Society for International Law and a judge at the court of arbitration of the Chamber for Foreign Trade of the GDR. In addition, for almost 10 years he was the scientific expert of the GDR'S CEMA delegation.

In 1978, Prof Seiffert went to the FRG with his family. He teaches international economic law at the Christian Albrecht University in Kiel. He also lectures at the University of Bremen and the Bundeswehr College in Hamburg.

The economic reforms in the East are an ongoing theme that has heretofore tended to bore the West. But the experts are pricking up their ears now that Hungary's communists have received the green light from Moscow for their cautious free-market spring. Private restaurants in Budapest, Coca Cola in Beijing. And who is next?

Whereas in the CSSR the party and government propaganda is exulting in the old Stalinist manner at special shifts in mining and the fulfillment of plans in the unloading of railroad cars, a cautious free-market spring is blooming in

Budapest. Just as the societies of the CEMA countries--which have been "drawing together" in terms of propaganda for years--are developing in extremely varied ways, the economic trains have also departed in different directions.

It was not until recently at a party congress that the so-called Hungarian goulash communism let its reform course be endorsed by its big brother from Moscow.

#### Reform No Longer Excluded

Even in the realm of the everlasting lines of purchasers in front of the stores, serious reform measures are no longer excluded after the change at the top in the Kremlin. And in regard to China's efforts at economic reform, Helmut Schmidt recently wrote in DIE ZEIT that this could involve the boldest and simultaneously the most fascinating experiment of an economic nature in the communist sphere of influence.

Is Gorbachev making it possible after all throughout the communist camp? Have the Chinese recognized that they, with strict central economic organization, could miss the connection to the widely praised Pacific age?

#### A Profound Expert

This and many other questions are handled by the following cover story, which this time takes the form of an interview with one of the best authorities in the matter. Having worked for many years in the GDR, Prof Wolfgang Seiffert is considered to be one of the most profound experts on the Eastern economy in the German-speaking area.

Adelbert Reif spoke with him.

[Question] In several CEMA countries, reforms of the economic system have been introduced recently. Some Western experts believe that they amount to a gradual imitation of the principles of the market economy. In your opinion, are the CEMA countries really on the way to being a sort of model of a "socialist market economy," or are we again merely seeing--as in the past--sporadic measures for getting over especially difficult crises that are extremely limited in their freedom of action?

[Answer] Actually, a trend toward free-market models--toward a "socialist market," in a manner of speaking--is detectable only in Hungary. Nothing that is taking place in the other CEMA countries in the economic area--I am intentionally leaving out the Asian countries, for they represent a special case--includes any measures in this direction.

To begin with, we must establish that the CEMA countries are tackling their diverse and difficult economic problems in quite different ways. In most of the countries, the differentiation in the mechanism for steering the economy has become even greater than it already was in the past. That is precisely a function of their different development. It is certainly clear that Poland, for example, which is not only heavily indebted to the West but also has

considerable difficulties in stabilizing its economic situation, can in no way be compared with the GDR in its level of development.

To the extent that economic reforms were introduced into the CEMA countries, one must again differentiate. In the case of Poland, there have indeed been a number of measures taken, and laws and regulations have been promulgated that have the appearance of an economic reform. Essentially, however, all of these things have remained on paper and have not become reality, because the necessary minimum consensus between the population and the country's political leadership has not been established to the extent that any plans for economic reform could be put into practice. In regard to the Soviet Union, certain trial reforms and experiments are now taking place for a period of 2 years in a few selected industrial enterprises, but they are very limited and their specific measures are to perfect the existing centralistic system of the planned economy, that is, to reduce efficiency losses as much as possible.

I would assess the possibilities of the Soviet Union in the area of its agriculture somewhat differently. It would be quite conceivable for Soviet agriculture to adapt certain models from Hungary and to increase the private use of agricultural areas. One already sees the phenomenon that approximately 2 to 3 percent of the agriculturally useable area is used privately, or rather, personally, and about 30 percent of the agricultural produce in the Soviet Union is produced from this personal use. This example alone indicates how ineffective the state or collective agriculture is. Of course it is obvious that one should release a few more percent of the useful agricultural area to personal use so as to bring about an improvement in the current supply situation.

[Question] How do you assess the situation in the GDR?

[Answer] About 2 years ago, the GDR concluded the process of the so-called combine formation. This means an integration of certain industrial production areas or production series into large economic units that--from research and development to the sale of products--are under a common combine management. As a start, that should not necessarily be viewed negatively: it can lead to a certain concentration of capital and work in larger economic units, and the competitive position of these enterprises can thereby improve. But it is also true for these measures that there is no undermining of the centrally planned economic system. The central planning by directives through binding state-assigned indices, etc., remains in effect, so that ultimately the other rights of the combines are only rights to implement in the best-possible way the standards decreed by the central state office. In this respect, here as well there is no true independence for the enterprises.

Still, however, ideas are being introduced in the GDR that are having a certain effect in practice. In contrast to the Soviet Union, one must note that the GDR is a small country. When here the entire industrial production is concentrated in 150 or 160 combines, one cannot, to be sure, manage and control it down to the production of the last screw from a single central office in East Berlin, but one can grasp it to the extent that an overview is possible, permitting rapid and effective corrective measures in the case of difficulties.

[Question] What direction is the economic development of the GDR likely to take in the near future?

[Answer] That is very difficult to forecast and depends upon numerous factors, not least factors in foreign policy. For one thing, the leadership of the GDR is not quite sure whether the trend in East-West relations is now becoming more positive or whether it will not sometime come to a distinct setback and to a general worsening of the world political situation. For this reason, it is also endeavoring to gain more latitude through increased borrowing in the West. The GDR's credit cushion, which has meanwhile grown considerably, even lets many observers question whether these credits do not mean a substantial burden for the future, for interest does, after all, have to be paid on them. In my view, there is a quite realistic political and economic motive behind this credit strategy of the GDR. It is obvious that in the event of a possible worsening of East-West tensions, the GDR's economic relations with the West, especially with the FRG, would be strongly affected. In this case, a financial basis would exist that would offer the GDR the opportunity to make purchases in other countries.

An additional motive can be seen in the fact that the leadership of the GDR is very aware of its problems and knows that it cannot overcome its problems without the introduction of truly new technology into industry.

As one can gather from its own publications as well as from conversations with East German economic experts, the GDR is already intensely involved in increasing its investment activity and in making purchases in Western countries, especially in the sector of the new technologies. There is no doubt that the GDR can make its industry internationally competitive only through the introduction of new technologies such as complex industrial installations, robots, microprocessors, etc. But this increased investment activity also means that in the future more means of production will have to be produced in the GDR. And it also means that one should not expect a noticeable improvement or further development of the standard of living and the social concerns of the population of the GDR. The economy can be called a centralistic planned economy, a social market economy or whatever, but the economic laws cannot be eliminated. One cannot simultaneously provide more investment capital and want to have more of all other things. There is an interrelationship that no one can get around.

In no way do I thereby want to assert that the responsible officials in the GDR are not aware of this problem.

[Question] Do you think that the SED is now more concerned about the standard of living in the worker paradise?

[Answer] I am even quite certain that the GDR, especially under a man like Honecker, is on the lookout for all possible ways to prevent a decline or a stagnation in the population's standard of living. On the contrary, it wants to improve it further. As you know, the lowest pensions in the GDR were recently raised by 30 marks, a measure that hardly seems worth mentioning to us in the West. But for the conditions of the GDR, it represents a very important step and is simultaneously an example for how the political leadership of

the GDR is endeavoring not to allow the social standard to fall below a certain limiting value--despite substantial difficulties in the most varied sectors of the economy. Decisive positive changes are not in sight, however. Altogether, the standard of living of the GDR's population will even stagnate, because the prices will be raised in other areas.

[Question] What is the situation in a country such as Czechoslovakia that was once so developed industrially?

[Answer] Czechoslovakia is a special case. It is holding dogmatically to all criteria of the centralistic planned economy. That is certainly an aftereffect of the development during the Prague Spring and the Soviet intervention. Today's Czechoslovak leadership fears that a gradual relaxation of the centrally planned economy could again awaken reform forces in the country that would possibly be difficult to bring under control. That, in turn, would evoke the mistrust of the Soviets. But in Czechoslovakia as well, the conditions themselves are pressing for change.

By the way, Czechoslovakia is possibly the best example for how poorly a centrally planned economy functions. At the end of the war in 1945, Czechoslovakia, as in the case of the GDR and in contrast to all of the other countries of central and southern Europe, was not only a highly industrialized country but there--as opposed to the GDR--hardly anything had been demolished. The country's entire production system was taken over practically intact when the communists seized power. Prior to 1945, Czechoslovak industry had maintained extremely vigorous economic relations with the West. In certain areas, its products were among the best internationally and it had no marketing difficulties other than the usual deviations caused by the business cycle, to which all markets are subject. Today, on the other hand, Czechoslovak industry is hopelessly obsolete and many of its products are not competitive at all or only weakly. To change this situation, Czechoslovakia would have to borrow more money in the West. But after Poland's negative experiences, the leadership is hesitant about this decisive step. And so it is likely that in the foreseeable future practically nothing will happen in Czechoslovakia.

[Question] Is not in many ways the stagnation of the economic situation in Romania similar to the situation in Czechoslovakia?

[Answer] The main reason why Romania's economy is in such a profound crisis is that it has been hit--even though to a limited extent--by the effects of the oil crisis on Western markets. As everyone knows, Romania produces its own petroleum, but it turns out that its reserves are limited. Thus there is neither enough oil for its own economy nor can there be any exports to bring in foreign exchange. Also, in the past in CEMA, Romania has strictly refused to take part in the measures to develop the Soviet Union. In this connection, it referred to its Arab friends, who would readily deliver the needed oil in the quantity and at the price that is acceptable to the country. In the end, Romania did have to deal with the Soviets, for the dreams of Arab help quickly turned out to be illusory. But the agreement that was finally reached with the Soviets forces Romania to deliver goods to the Soviet Union, which could otherwise sell them in the West for foreign exchange.

In addition, of course, Romania is being greatly affected by the general crisis in the CEMA, which is primarily a crisis of the centrally planned economic system. This crisis is manifested chiefly in the fact that a centrally planned economy is, for one thing, not up to the unprecedented stresses that result from a situation like that of Romania, and also in the fact that it is not capable of stimulating up-to-date technology. The Romanian economy is persisting in a strictly centralistic planned economic system, just as it is adhering politically to old Stalinist structures.

[Question] For a long time, however, various attempts at economic reform appear to be gaining ground in Bulgaria....

[Answer] The developments in Bulgaria are indeed interesting. For the first time, the Bulgarians have been successfully in establishing a relatively good agriculture. To be sure, cooperatives have a long tradition in Bulgarian agriculture: the law on the cooperatives originated in the 1920's.

At the same time, the Bulgarians have recognized that one must work with more market categories in industry as well if one wants to achieve success. In the meantime, they have begun to introduce a new economic mechanism that considers certain market criteria and is geared to the economic independence of the enterprises. Nevertheless, the trend does not go as far as it does in Hungary. Thus the Bulgarians are maintaining a strict state monopoly in foreign trade. And most importantly: the model of the new economic mechanism affects only that part of the economy that transacts foreign trade with the West, and that is a very small area, for about 80 percent of Bulgarian exports are to the Soviet Union.

Neither should one overlook certain political and historical tendencies. Whereas previously there were signs indicating that perhaps Bulgaria wanted to become another union republic of the Soviet Union, today one notes a sort of "national revolt," the rise of the consciousness of independence from the Soviets. This trend also contributes to helping bring about at least minor attempts at economic reform. But in Bulgaria it is still too early to think about a possible introduction of market mechanisms in a Western sense.

[Question] Would you agree with the thesis that Poland must now be seen as probably the most tragic example of a completely unsuccessful centrally planned economy?

[Answer] For political reasons alone, Poland is an especially difficult case. As I have already indicated, there is no consensus whatsoever between the political leadership and the population. But that does not change the fact that some stabilizing factors can be seen in the country's economy. Nowhere in the world do workers strike continuously, for the simple reason that they need money to feed their families. It is no different in Poland. The output of coal mining has long since reached the level of 1980. That is a very decisive factor for Poland, because coal production is important for the domestic energy supply but also for exports both in the form of goods and as coal itself.

As before, what Poland lacks is a persistent implementation of the economic reform that was originally foreseen. The old cadres of the centrally controlled



economy are dominated by tendencies to disbelieve that an economic reform can be accomplished at all. Here there is doubtless some indirect sabotage being committed: the old cadre bureaucrats sense that if an economic reform were to be carried out, then it would by no means be certain what place they themselves would occupy in the new hierarchy of the economic bureaucracy or if they would even be assigned one. For then things would not go according to the party membership book or according to the number of years of membership in the Polish United Workers Party but exclusively according to personal performance. For this reason, there is much resistance in Poland to any sort of economic reforms that aim at independence, performance and individual responsibility.

Finally, there is also the unprecedented burden of the tremendous indebtedness. After Poland became indebted, the West behaved relatively sensibly toward it.

What Poland basically needs to improve its situation is a moratorium, a payments pause that would be granted to it by Western banks. In addition, Poland continues to need Western loans. The question of how the West should behave in this situation is less difficult to answer than the question of the possibilities of realizing new support measures. It seems to me that it is appropriate for the West to grant the just-mentioned moratorium and, at the same time, to approach Poland's demand for new loans. That could occur, for example, in that the West makes available credits for paying off certain debts so that for Poland the structure of its debts will be somewhat more bearable. The new credits could, however, also be used for the importation of new equipment or other Western imports that are necessary to ensure that the Polish economy is competitive in Western markets. Naturally, the issuance of these credits must be linked with the condition that they actually be used for the planned purposes.

[Question] And how does Poland's situation look?

[Answer] To begin with, Poland's national economy is the second-largest in CEMA after that of the Soviet Union, although the economy of the GDR is considerably more efficient and hence at the head of all CEMA countries. In any case, one should not overlook the fact that Poland has 36 million inhabitants. The Polish economy has quite a number of specialization and cooperative relations with the Soviet Union and other CEMA member countries, which were frozen or reduced because of the events of 1980-81 but are now being reactivated.

Under the pressure of the intervening events, one can now observe that Poland is again giving more consideration to the CEMA, the future of which--if one is objective--is not entirely negative for Poland. But since the country's economy has still by no means been stabilized, there are numerous problems in the framework of cooperation with the other CEMA countries. To be sure, Poland received a certain amount of help from the GDR, but the leadership of the GDR also applied some restrictions. When the political crisis was at its peak, the GDR declared bluntly that from then on it would balance deliveries of goods in both directions every 3 months. If it should happen that the GDR had received less than the agreed quota from Poland--only 60 percent, for example--then in the following year the GDR would export only 60 percent of its delivery commitments to Poland.

[Question] Consequently Hungary is the only CEMA country in which fundamental economic reforms have actually been carried out?

[Answer] Yes. A genuine process toward market criteria is taking place in Hungary. The Rubicon that was crossed by Hungary's economic policy makers involves the fact that they no longer tell the enterprises by law what they are to produce but are gradually exposing all enterprises to the market--both the domestic and the external market. In Hungary, the economic successes depend upon this market orientation, and thus so do the efficiency-stimulating wages, salaries, bonuses, contributions to cultural and social funds, etc.

Strictly speaking, the reform of the Hungarian economy began as early as 1968 and was systematically continued in all areas of industry and agriculture despite numerous setbacks and difficulties. To be sure, Hungary also has debts. But I see two or three things that are especially positive in its attempts at economic reform. For one thing, Hungary's economists were able to guide economic officials in the direction of an economic thinking. That is, the economic officials who now have responsibility in Hungary no longer think in terms of indices and planning figures, as do their colleagues in the other CEMA countries, but in monetary categories or even in market categories.

In addition, the Hungarian economists have also been able to achieve such an economic understanding in the masses of the employed, that is, in the population as a whole. This achievement cannot be overestimated when one considers that the process of the conversion of a planned economy to a market-oriented economy has more than just pleasant aspects. Thus, for example, there arises a strong pressure to rationalize. The management of individual enterprises begins to ask itself whether it can get along with 600 or 800 employees instead of the 2,000 that it has had. What is to become of the others? They likewise face the general problem of whether wages correspond to performance. The result of all of that, in turn, is that the prices are not stable prices but are affected by the law of supply and demand. In Hungary, that has repeatedly led to price increases for industrial products that were passed on to consumers. In several years, there were two or three such price rises of between 20 and 30 percent.

In my mind, not least among the indications of the increased economic understanding of the population of Hungary is the fact that it has not resented any of these price increases, which occurred in part in the food sector. The Hungarians obviously realized and realize that with the introduction of certain market criteria they must also expect certain negative concomitant phenomena. That can happen, for example, when there are increased inflationary tendencies in countries with which Hungary is involved in brisk foreign trade--I am thinking mainly of Austria and the FRG. (to be continued)

Whereas Prof Wolfgang Seiffert, the well-known expert on the East, dealt with the economic situation of the individual Eastern countries in the first part of his conversation with Adelbert Reif, in the following second part he delves into the efforts for economic integration within the framework of CEMA.



[Question] Professor Seiffert, to what do you attribute the fact that all attempts at economic integration in CEMA ultimately failed?

[Answer] This is actually the main problem in CEMA. In 1971, CEMA passed a so-called "complex program" that was to bring about an economic integration of all CEMA countries. There were thereby only two available options: either one sought an integration of centrally planned economies, which would then occur largely administratively, or one attempted to create true market conditions at least in the economic relations between countries. If one had really seriously considered the second option--and many passages of the complex program indicated at least such an intention--then it would have been necessary to establish a foreign-trade price system on the basis of economically determined prices; it would also have been necessary to establish such a convertibility of the individual currencies that genuine exchange rates come about and generally everything happens according to economic criteria, including the establishment of a regional market. The complex program did in fact include specific provisions on the introduction of exchange rates and the convertibility of currencies. Naturally, these provisions did not apply to the personal relations of citizens in CEMA countries but only to those of the economic enterprises. In practice, however, nothing has happened. The only thing that was attempted was this: in the case of the foreign-trade prices, the basis of fixed prices was abandoned and sliding prices were introduced, prices that are redetermined every 2 years for the individual kinds of goods, whereby the control point is world-market prices, that is, Western prices. In other words, there is no CEMA price basis. As before, there is no true convertibility of currencies, no reciprocal exchange rates, and consequently, there is also no market of the CEMA countries in the true sense of the word, for the exchange of commodities takes place on the basis of trade agreements that set quotas for most goods in annually established commodity protocols.

I have often experienced in CEMA negotiations how the individual economic representatives responded to criticism directed against them: the matter cannot work as long as we have no true foreign-trade prices and no true market conditions. But an administrative reorganization also did not come about, for in practice that would have meant that there is not only a mutual harmonizing and coordination of planning--there was some coordination for a time that led to improvements--but that an integrated national economic plan is developed for all of CEMA that would be binding for all economies of the individual national states. But all countries have more or less openly opposed these efforts. They feared having to diminish their own sovereignty. The Romanians in particular held the position that planning is part of national sovereignty and something that they could not relinquish. Thus the attempt at economic integration in CEMA failed because of the reality of the centrally planned economies.

[Question] Can the economic problems of the individual CEMA countries be attributed primarily to their political and economic dependency upon the Soviet Union?

[Answer] There are exogenous and endogenous reasons for the situation in CEMA itself and in the individual member countries. The exogenous reasons are

valid for the economies of other countries in the world as well. I am thereby thinking, for example, of the decline in the size of the labor force as a result of a lower birth rate. This has a substantial effect on the expansive development of the economy. An additional factor is the different degree of industrialization of the CEMA countries relative to the level of industrialization in the Soviet Union. In addition, a country like the Soviet Union is less seriously affected by increased petroleum prices or sudden shortages of raw materials, because its dependence upon foreign trade is much less than that of the GDR or Czechoslovakia.

Of more importance is a great number of endogenous factors that determine the economic situation in the CEMA countries. Here I would again like to cite Soviet agriculture as an especially striking example. When one considers that in the Soviet Union the 2 to 3 percent of the agriculturally cultivated area that is in private use produces 30 percent of agricultural produce, then the logical conclusion, in a purely formal sense, is that one should increase the private or personal area of cultivation to 50 percent, which would have the result that one would no longer, as today, have to buy wheat in the United States and Canada but could even export it. But that is a naive assumption inasmuch as in the Soviet Union--and naturally in the other CEMA countries as well--there is an absolute primacy of policy, especially for the economy, independent of various factors that modify the example of Soviet grain somewhat. The political leadership of the Soviet Union, the GDR and Czechoslovakia--to a lesser degree, that of Hungary--see in the demand for comprehensive economic reforms the danger of a change in the political structure that could ultimately lead to the loss of their own power. Put another way: the political structures in these countries are opposed to all attempts at reform that appear economically sensible, indeed essential.

This hostility toward economic reform is especially pronounced in two countries--the Soviet Union and the GDR. The reasons are obvious. If the Soviet Union were to carry out fundamental reforms in the sense of a change in the system of the planned economy, then the result would not only be that weighty ideological questions would be raised but also that then the Soviet Union, with its size, would have to be prepared to concentrate for 20 or 30 years on internal problems, that is, to employ the might of the entire society in resolving the economic questions.

There is another danger in the GDR. The political leadership fears that any fundamental economic reform could produce the impression within its own party and the population that the GDR is trying to adapt itself gradually to the free-market system of the FRG. During my work in the GDR, I myself experienced in the introduction of the so-called "new economic system" in the mid-1960's that many economic managers and engineers in the enterprises declared, in view of the new provisions, that the GDR would now return to certain "capitalistic mechanisms" that apply in the FRG, for the category of "profit" was again playing a role. The real danger for the GDR's leadership is that such thoughts may be carried further by party members and the population. The people would come to the conclusion: that is obviously helpful to us. But since we are not being thorough enough, we are still worse than the FRG.

[Question] Would you say that the ideological indoctrination within the communist apparatus is by no means so comprehensive that the officials and economic experts do not know the reasons for the economic miseries?

[Answer] You see, naturally the truly intelligent and gifted economists who are allowed to read the Western literature and who are from time to time permitted to travel abroad to the West know quite well the reason why the centrally planned economic system is suffering. And they also know where one would have to begin to change the situation. That is shown, for example, by the well-known study from Novosibirsk that created such a sensation a while back in the East as well as the West. If this study had not been published in the Soviet Union itself but by dissidents or Western experts, then the Soviet critics would have declared immediately that this involves a typical bourgeois slandering of the situation in the Soviet Union.

The leading cadres of these countries are likewise generally aware of the real reasons for the overall mismanagement. They read with considerable interest what their own economists are writing. Naturally, they prefer that such critical studies and analyses not be made available to a broad public but only serve them as internal study material.

The reason why the reformers who always have something for discussion cannot ultimately prevail with their ideas and proposals is that they have no substantial influence on the centers for political decisions.

[Question] Consequently, there is no such apparent pressure for reform, at least not at present in the Soviet Union and the other CEMA countries, which, if it were to increase further, would be able to break through the barriers erected by the party job holders....

[Answer] That is precisely the case. But historical experience teaches that even under the described conditions in these countries, system-changing reforms are possible, even though such reforms are always merely the result of previous far-reaching jolts to the system. Hungary offers a good example of this.

It is true that there are outstanding economists in Hungary, and science--especially economics--in that country has considerable influence on the decisions of the political leadership. As party chief, Janos Kadar is also playing a skillful role precisely in regard to reform policy in the economy, and even beyond that, he enjoys the great respect of the Soviet leadership. But if we take a closer look at the case of Hungary, we must observe that the economic reform was not originally a result of Kadar's policies, not beginning until 1968, but that the economic reforms were possible because of the events of 1956. That year is still in the bones of the political leadership in Hungary and the Soviet Union today. On the basis of 1956, a sort of modus vivendi has developed between Hungary and the Soviet Union: Hungary is carrying out a market-socialist economic reform but in foreign policy, it supports the positions of the Soviet Union almost without restriction. That guarantees the country's stability. The Soviets accept that, even though in essence they view the Hungarian reform experiments as a deviation from the proper system of centralized economic planning and, in a certain sense, from the political system.

Still, the Hungarians had to wait 12 years, from 1956 until 1968, before beginning their reforms, and then it was even longer before these efforts took effect.

As for Poland, General Jaruzelski is certainly not a man like Kadar, simply because his understanding of economic matters is probably quite limited. That understanding may not necessarily be so great in the case of Kadar either, but Kadar lets his country's economists approach him and he gives them the latitude that they need to accomplish something economically. And that does not seem to be the case in Poland.

There is something else: with a country like Hungary, the Soviet Union can console itself somewhat in that it is a small country with about 10 million inhabitants, whose Western neighbor Austria does not belong to NATO but acknowledges its perpetual neutrality. All of these factors together, considering that Soviet troops are stationed in Hungary, have made this compromise possible to date. I myself have the impression that the Hungarians are already out of the woods. Naturally not with their economic development, which may yet experience many peaks and valleys, but they have reached the point where there can be no turning back from the reforms that have been carried out without producing a new grave crisis. It is therefore a big question whether the Soviet Union would or indeed could, from the standpoint of power politics, allow it at all if a country such as Poland wanted to follow a path similar to that of Hungary--even if the Polish leadership wanted to carry out real economic reform and there were a consensus with the population. For as I already mentioned: Poland's national economy is the second largest in CEMA. If this national economy were even to begin to be oriented toward a market economy, then the great question would arise of whether the entire economic cooperation in CEMA could still function.

[Question] With this background, how do you assess the future possibilities or chances of the CEMA countries for trade with the West?

[Answer] From everything that I have just said, one can draw the conclusion that we cannot in the foreseeable future expect that the CEMA market will develop into a normal market. On the contrary, it will remain a politically stimulated market. Nevertheless, that does not mean that there is no possibility of further strengthening the so-called East-West trade. The limited financial possibilities for investment activity and the only gradually recovering growth rates in the individual CEMA countries naturally restrict the possibilities for the importation of products from the West, which, in turn, affects the export business. All in all, however, I would say that there are additional possibilities for increases.

[Question] If I understand you correctly, you are pleading for an unconditional continuation of East-West trade, in a certain sense even for "expanded business relations" on the basis of cooperation.

[Answer] There are very different opinions in the West about whether one should promote or restrict or even stop East-West trade. In principle, for foreign-policy reasons, I am not at all in favor of striving to reduce East-West trade or of threatening to apply sanctions and embargoes. Ultimately,

all of that has only negative consequences for the overall development. But above all, it gives the leadership of the communist countries a reason for a plausible alibi before their own population to blame the West for the economic miseries that they themselves caused. That could--especially among the people of the Soviet Union--produce a certain siege mentality leading to improved efficiency, which diminishes the effect originally sought. I naturally have no objections at all to sanctions and embargoes in response to the behavior of a country that is truly contrary to international law such as in the case of the Soviet Union after its invasion of Afghanistan, for example. To respond to that immediately, under circumstances with economic sanctions as well, is an entirely legitimate means under international law, but there must be a certain connection between the event and the reaction to it in terms of timing and content. In the case of such an incident, one cannot react a year or two later with just any temporary sanctions.

[Question] If we can also glance briefly at the CEMA member countries outside of Europe, perhaps Cuba or Vietnam, what is, then, the economic significance of these countries for the Soviet Union?

[Answer] In essence, their importance for the Soviet Union is not economic but only political. The fact that they belong to CEMA at all is attributable to a political decision that was desired by the Soviet Union. In general, the membership of these countries in CEMA represents a heavy economic burden for the Soviet Union and the other European partners. For the Soviet Union, there is also some relief, for it can pass on to the other CEMA members certain burdens resulting from aid for Cuba or Vietnam and does not have to bear them by itself. By the way, the burdens are so great that in this scope they can be undertaken only by a country such as the Soviet Union. Cuba alone costs the Soviet Union many billions of U.S. dollars. If it had saved this money and invested it in its own economy, then the economic situation of the Soviet Union would be different today. But there is nothing to indicate that the Soviet Union is prepared to abandon these costly boarders politically to strengthen itself economically.

This development has, at least, heightened the awareness of the other CEMA members--of the GDR, for example. They are now being very critical when new countries are to be admitted. Namely, the position of the GDR in CEMA is analogous to that of the FRG in the EEC. Although it is much smaller than Poland or the Soviet Union, it is considered the most potent country economically within CEMA and it follows that when a new country is admitted, the GDR must provide more aid. Naturally, that is not exactly an incentive to approve an application for admission. A little less than 3 years ago, for example, Mozambique submitted an official application for admission to CEMA.

[Question] Could the fact that the PRC recently decided to pursue a generally new, that is, largely market-oriented economic course not lead to new reform thoughts and attempts in the CEMA area as well?

[Answer] The development that the Chinese have now introduced into their industry is a fundamental system-changing reform in the direction of a market economy. I cannot judge whether they can continue to carry that out against



the resistance that is certainly present in their own country. But there are numerous indications that they will succeed in this experiment.

In this connection, I would like to point out some remarkable aspects. In recent years, the Chinese have abolished the so-called people's communes and given more and more latitude to tendencies toward the establishment and reestablishment of private ownership. That alone speaks for a systematic reorientation. If a) they do that just as systematically over a period of years in industry and b) it turns out that it is not a short-term retreat, as Lenin demonstrated in a difficult situation with his "New Economic Policy," then in a few years China will have a strong economic base. If one assumes that this will be the case, then the consequences will be substantial, especially for the Soviet Union. It may sound fantastic, but should the Chinese hold out to the end of the process that has now begun, then the overall political effect for the Soviet Union could be worse than in losing a nuclear war. Losing a nuclear war would mean that the Soviet Union would simply no longer exist as a state. In the case of a successful China, on the other hand, the Soviet Union would have to experience year after year and decade after decade its being surpassed economically. That is a tremendous prospect that over the long term may strengthen those forces in the Soviet Union to whom system-changing measures appear unavoidable if their country is not to be completely shunted aside economically.

At the same time, I can imagine that such a development in China will lead to changes in the smaller CEMA countries first. In the first place, there would be a second power that calls itself communist, to be sure, but that has no misgivings about introducing market principles into its economy and is even successful in that regard. In addition, that would give the smaller CEMA countries certain possibilities to develop economic relations with China on a new basis. Naturally, one should not overestimate all of these positive aspects in their practical implications, for the great geographical distance between China and the European CEMA countries represents a substantial handicap. But still, the European CEMA countries would gradually come to be in a position similar to that of the developing countries that continually oscillate between East and West and benefit from it. The European CEMA members would then have the possibility of choosing between the Soviet Union and China or even of cultivating both relations on an equal basis. An Asian example of this trend is North Korea, which for many years has maintained and developed relations with China as well as the Soviet Union and has achieved a certain independence in precisely this manner.

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CZECHOSLOVAKIA

INDUSTRIAL LABOR PRODUCTIVITY ANALYZED FOR 1950-1983

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[Article by Engr Josef Skoda, Czech Planning Commission: "Labor Productivity in Industry"]

[Text] Over the entire duration of the existence of the planned economy increased attention is devoted to the productivity of labor and its development. This is desirable to the maximum since this indicator reflects the success rate of our entire economy.

In the present article we wish to point to the development of labor productivity in the industrial sector of the CSSR and both national republics. The comparison encompasses the period of 1950 through 1983, which is divided into two segments, that is to say 1950-1974 and 1975-1983. This division was chosen for practical reasons: the entire period is not comparable with respect to organization, method or costs. The basis used for the comparison was data provided by the Federal Statistical Office, including:

- i. calculations of basic industrial indicators for the years 1948 through 1974
- ii. statistical yearbooks for industry for the years 1981, 1982 (part 2--time series for 1975 through 1982) and 1983.

During the course of the Seventh 5-Year Plan and in harmony with the principles of the Set of Measures for Perfecting the System of Planned Management a method for measuring productivity of labor through adjusted actual outputs was introduced into planning practices. It is utilized in essentially all economic organizations. In view of the fact that their organization is not compatible with the structure of industry from the standpoint of organization and production, even for the short period during which the above method has been applied, gross production was the unit of measure used for the purposes of measuring productivity of labor in this analysis. The analysis is conducted as follows:

- i. for the period 1950-1974 it encompasses all of industry in the CSSR and industry in the territorial areas of the CSR and SSR;
- ii. for the period 1975 through 1983, it encompasses:

1) for all of industry in the CSSR,

2) for industry in the CSR and SSR, that is to say for the industrial organizations controlled by the national governments, including the industrial organizations of the KNV's [kraj national committee],

3) for industrial sectors:

a) heavy industry in territorial areas of the CSR and SSR,

b) the chemical and light industries controlled by the national governments.

The utilized statistical sources yielded the following results with regard to the development of labor productivity:

Table 1. Production Growth Rate (in percent)

<u>Item</u>	<u>55/50</u>	<u>60/55</u>	<u>65/60</u>	<u>70/65</u>	<u>74/70</u>	<u>74/50</u>	<u>83/75</u>
Labor productivity							
CSSR	141.5	140.9	117.7	129.5	125.4	381.2	125.3
CSR	141.8	138.8	117.6	129.8	125.1	375.2	124.8
SSR	141.1	151.4	117.1	128.6	126.5	406.5	122.4
Annual average							
CSSR	107.1	107.0	103.3	105.3	104.6	105.7	102.9
CSR	107.3	106.8	103.3	105.3	104.7	105.7	103.1
SSR	107.2	108.6	103.2	105.2	104.8	106.0	102.6

The overview points to irregular development. With the high dynamic growth in the years 1950-1960 productivity rose on average by 7 percent per year for all of the CSSR, by 7.3 percent to 6.8 percent in the CSR and by 7.2 percent through 8.6 percent in the SSR. In comparison with this period, the years from 1961 through 1965 saw a decline. Our activity grew only by 3.3 percent, which is less than half the values registered during the previous 5-year plan. This was caused by the complicated economic-political situation at the beginning of the '60's and by the character of our economy which, in view of the restricted quantities of domestic raw materials cannot be a closed economy and therefore reflects rising and declining trends of the world economy. Influences stemming from domestic problems also contribute to this development.

During the years examined the developments in the economy reflected a 2-year harvest failure, including extraordinary winter calamities in the 1961-1962 time frame and changes in foreign policy and economic cooperation. In connection with these factors a number of production and investment programs had to be changed or discontinued. In 1963 productivity declined by 0.9 point (in the CSR by 0.8 point and in the SSR by 1.2 points).

In the following years (1963-1965) productivity recorded a gradual increase-the average annual growth rate moved from approximately 4 percent to 6 percent. Existing reserves in the economy were utilized in subsequent years to further enliven the dynamics of growth pertaining to this indicator. However,



it was not possible to attain growth rates which were commensurate with the First and Second 5-Year Plans.

In analyzing the development of our activity we proceed from the assumption that its growth is influenced by:

a) the degree to which each worker is equipped with mechanical capital equipment

b) the efficiency of mechanical capital equipment.

Table 2. Degree of Mechanization and Efficiency of Mechanical Capital Equipment (in percent)

<u>Item</u>	<u>55/50</u>	<u>60/55</u>	<u>65/60</u>	<u>70/65</u>	<u>74/70</u>	<u>74/50</u>	<u>83/75</u>
a) Percent increase of mechanically equipped workers							
CSSR	110.6	118.6	123.8	122.9	127.0	252.0	170.2
CSR	110.4	117.8	123.5	121.3	125.8	245.0	170.3
SSR	111.7	122.2	124.3	124.0	129.5	272.5	179.6
b) Efficiency							
CSSR	128.0	118.9	95.1	105.4	98.7	151.3	73.7
CSR	128.4	117.8	95.2	107.0	99.4	153.1	74.8
SSR	126.3	123.8	94.2	103.7	97.7	151.4	67.3

From the table it is clear that the degree to which workers were provided with mechanical capital equipment was greater than equipment efficiency, as if further documented by the following data:

#### Average Annual Growth Rate

<u>Item</u>	<u>1970/1950</u>			<u>1983/1975</u>		
	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
Labor Productivity	5.6	5.6	6.0	2.9	3.1	2.6
Percentage increase of						
Degree of worker mechanization	3.9	3.8	4.3	6.9	6.9	7.6
Efficiency of equipment	1.7	1.8	1.7	-4.0	-3.8	-5.0

However, the development was more clear than the overall figures tend to show. Particularly during the period 1950-1960, that is to say during the First and Second 5-Year Plans, efficiency was a greater factor (Table 2). In subsequent periods, beginning with the Third 5-Year Plan, however, there was a falloff. In 1965-1970 a certain improvement occurred which was undoubtedly influenced by the low level of efficiency of mechanical capital equipment in the preceding 5-year plan. A sharp falloff occurred in 1975-1983 when the level of the efficiency of mechanical capital equipment dropped by 26.3 points (CSR by 25.2 and SSR by 30.1 points). This falloff showed up as a negative and sharply determining influence with respect to the factor involving the degree to which workers were equipped with mechanical capital equipment.

In calculating the elasticity coefficient using regressive and correlative analysis, and comparing the relationships between the percentage increase in mechanically equipped workers and labor productivity, the following average values were obtained:

<u>Indicator</u>	<u>1970/1950</u>	<u>1983/1975</u>
CSSR	1.450	0.409
CSR	1.489	0.443
SSR	1.415	0.304

Their significance lies in the fact that they show the number of percentage points by which productivity rises when the degree of providing workers with mechanical capital equipment increases by 1 percent. This indicator characterizes the type of technical development, to the extent to which it is a cost-intensive development (coefficient is less than one) or a cost-effective development (coefficient is greater than one). Its development is influenced by a number of factors--extensive (growth in the quantity of mechanical capital equipment and manpower) and intensive (the level of efficiency of production sources). The above-listed average values of the various coefficients confirm as a net value the developmental tendencies for productivity growth in the periods studied.

A comparison of both extensive factors, that is to say capital mechanical equipment and manpower, indicates that industry on the territory of the SSR developed in a more dynamic manner than that in the CSR. This is given as a result of historical conditions of economic development in both republics. The more rapid dynamics in the SSR are an inseparable component of the development of the entire Czechoslovak economy and document the efforts to achieve a balanced share within the framework of the economic potential of the CSSR. This systematic balancing is documented by the share of SSR industry in the overall volume of production in 1983, which stood at 29 percent, as opposed to 14.9 percent in 1950.

In analyzing the developments of labor productivity we also concentrated on the problems involved in the relationship between production and production resources, that is to say the development of net efficiency (integral productivity). This is a relationship which is generally expressed by the equation:

$$\text{Net efficiency} = \text{Gross production} / (\text{Capital stock} + \text{labor productivity})$$

or

$$\hat{H}V = \hat{G}E . (\hat{S}ZP + \hat{P}S).$$

A methodological problem in measuring net efficiency is the indicator "manpower." It is necessary to calculate the value of the volume of embodied labor (manpower) in such a way that it could be added to the value of the volume of mechanical capital equipment. For purposes of this comparison, the following procedure was selected: the number of workers in the current period

was weighted by the average wage of the starting period. This eliminated the influence of wages upon the dynamics of integrated labor productivity. The following values were obtained:

<u>Average Annual Growth Rate</u>	<u>1974/1950</u>			<u>1983/1975</u>		
	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
Gross production	8.0	7.4	10.6	3.6	2.8	3.5
Production resources	5.6	4.9	8.2	7.1	5.4	7.5
Integrated labor productivity	2.3	2.4	2.2	-3.0	-2.4	-3.6

The data on integrated labor productivity shows that in the period 1974/1950 its average annual growth rates were essentially in agreement. The dynamics of growth of the mechanical capital equipment and manpower were expressly different, as shown by the following data (average annual growth rate, in percent):

<u>Item</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
Mechanical capital stock	6.2	5.5	8.8	7.6	6.7	8.7
Manpower	2.2	1.7	4.4	0.7	-0.2	1.2

By applying the Cobb-Douglas production function in the following arrangement

$$\hat{H}V = \hat{S}ZP \cdot a + \hat{P}S - b + \hat{I}c,$$

where  $\hat{H}V$  = rate of gross production growth,  $\hat{S}ZP$  = rate of growth of mechanical capital stock,  $\hat{P}S$  = rate of manpower growth,  $a$ ,  $b$  = the coefficient of the share of mechanical capital equipment and manpower in the total of production resources, and  $\hat{I}c$  = rate of growth of intensive factors, the following results were obtained:

#### Share of Individual Growth Factors Upon the Rate of Production Growth

<u>Item</u>	<u>1950-1974</u>			<u>1975-1983</u>		
	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
Growth of HV, Including the influence of the following factors:	639.0	556.4	1,132.7	132.5	124.9	133.1
1. Total extensive Share,	381.8	328.3	685.8	174.6	155.0	180.6
	59.7	59.0	60.5	229.5	220.9	243.5
Including:						
Mech. capital equipment Share,	355.4	304.5	643.2	174.1	155.3	179.3
	55.6	54.7	56.8	228.0	222.1	239.6
Manpower Share,	26.4	23.8	42.6	0.5	-0.3	1.3
	4.1	4.3	3.7	1.5	1.2	3.9
2. Total intensive Share,	257.2	228.1	446.9	-42.1	-30.1	-47.5
	40.3	41.0	39.5	-129.5	-120.9	-143.5

From the data it is evident that during the course of 1950-1974 extensive factors were assuring production growth to the extent of about 60 percent; the decisive share of the influence was held by mechanical capital equipment means (approximately 56 percent). The influence of manpower accounted for about 4 percent and intensive factors influence production growth to the extent of about 40 percent.

The period of 1975 to 1983 saw a decline in the production potential of the country. With a growth of production resources (mechanical capital equipment and manpower) for the CSSR amounting to a total of 174.6 percent (CSR 155.0 percent, SSR 180.6 percent) the growth of gross production amounted to 132.5 percent (CSR 124.9 percent, SSR 133.4 percent). This sharp falloff influenced the efficiency of mechanical capital equipment as is evident from the following comparison (HV at 1,000 korunas, SPZ--korunas):

<u>Year</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
1975	1,979	2,375	2,231
1983	1,451	1,769	1,524
1983/1975	73.3	74.5	68.3

The decline in the efficiency of mechanical capital equipment was manifest not only during these years but in the preceding period of 1961-1965 and in the period 1970-1974, even though not quite as decisively. This is documented by the following data:

<u>Year</u>	<u>CSSR</u>	<u>Efficiency</u> <u>CSR</u>	<u>SSR</u>
1961-1965	95.6	99.0	90.5
1966-1970	105.4	106.2	108.1
1971-1974	98.7	99.3	97.7

The development shown is affected by certain influences such as, for example, growing prices of new technology, the need to modernize a number of industrial sectors, etc. To these are added:

- i. the extensive character of capital construction, without regard to the exhaustion of manpower resources,
- ii. the inadequate substitution of technology for manpower,
- iii. the low rate of retirement of mechanical capital equipment,

The replacement of human labor by technology has been shown not to be proceeding in harmony with the growing demand for the efficiency of Czechoslovak industry. The theoretical growth of gross production was calculated on the basis of the efficiency level of the starting year (1975); in 1982 it should have amounted to 180.8 percent for the CSSR (CSR 167.6 percent, SSR 194.9 percent).

The overall quality of capital assets reproduction during the Fourth and Fifth 5-Year Plans was negatively influenced by the low rate of elimination of unprofitable operations, which did not even reach the level of the Fourth and Fifth 5-Year Plans. During this period the elimination of operations was conducted wholly as an exception. Only some 16,224 workers were made available, that is to say 0.8 percent of the entire manpower pool in the industries operating on the territory of the CSR. These liquidations do not involve deliberate structural changes in production; the reasons for them are predominantly the physical obsolescence of the plant. Sluggishness in this area is caused by a surplus of work opportunities, created by capital construction on the one hand and the low volume of liquidation of projects on the other hand; it is then difficult to find adequate manpower for these projects.

The conflict which has arisen can be documented through a qualified estimate of the structure involved in the increase and decrease of the number of workers and jobs in industry (according to data provided by the Federal Office of Statistics):

Increase (+), Decrease (-) (thousands)	1971-1975, Including			
	Total	Operating Program	Cutbacks (Eliminations)	Other Production
Number of workers	+ 80	+130	-50	--
Jobs	+150	+ 80	-50	+120
Including:				
Capital construction	+230	+ 60	--	+170
Eliminations	- 80	- 20	-10	- 50
Transfers	--	+ 40	-40	--

It turns out that the volume of eliminations should be more than twice as great as it has been, otherwise the unfilled jobs caused by capital construction will continue to exert a negative influence on the economic balance of our economy.

The analysis of the development of productivity included the following industrial sectors: heavy industry (territorial average), chemical and light industry (controlled by the governments of the CSR and SSR). The following results (in percent) were obtained from the statistical data:

Period 1983/1975	Heavy Industry		Chemical Industry		Light Industry	
	CSR	SSR	CSR	SSR	CSR	SSR
Production growth rate						
Total	134.3	138.9	132.5	121.6	127.3	127.2
Average annual growth rate	3.8	4.2	3.6	2.5	3.1	3.1
Capital stock growth rate						

Total	160.3	198.9	165.1	171.9	167.8	174.9
Average annual growth rate	6.1	9.0	6.5	7.0	6.7	7.2

Efficiency growth rate

Total	83.8	69.8	80.3	70.7	75.9	72.7
Average annual growth rate	- 2.2	- 4.4	- 2.7	- 4.2	- 3.4	- 3.9

From the data it is evident that the development in the above industrial sectors varies. It is most noteworthy in heavy industry, where it shows a primarily higher degree of dynamic growth in labor productivity in the SSR (average annual rate 0.4 point) along with a substantially more rapid rate of equipping workers with mechanical capital equipment (by 3.9 points) and given a decisive decline in the efficiency of mechanical capital equipment (2.2 points).

On the other hand, the chemical industry in the CSR attained a higher level of productivity accompanied by a lower growth rate for capital stock. The efficiency of mechanical capital equipment declined in the CSR each year by an average 2.7 points, in the SSR by 4.2 points. Both republics recorded an essentially balanced development of labor productivity in light industry and in the factors which influenced its growth.

As was the case in all of industry, in the individual industrial sectors the growth of gross production in 1975-1983 was secured by extensive factors. The influence of intensive factors showed negative values. The share of the individual factors is evident from the following overview (in percent):.

Item	<u>Heavy Industry</u>		<u>Chemical Industry</u>		<u>Light Industry</u>	
	<u>CSR</u>	<u>SSR</u>	<u>CSR</u>	<u>SSR</u>	<u>CSR</u>	<u>SSR</u>
Gross production Including the influence of the following factors.:	140.9	188.8	135.9	133.5	120.8	140.2
a) Total extensive Including:	152.8	227.8	163.1	183.3	143.1	164.6
Mechanical capital equipment	127.2	184.9	153.5	173.2	119.4	139.7
Manpower	25.6	42.9	9.6	10.1	23.7	25.3
b) Total intensive	- 11.9	- 39.0	- 27.2	- 49.8	- 22.3	- 24.4

Elasticity coefficients for the above industrial sectors were lower than one in the period 1975-1983:

<u>Heavy Industry</u>		<u>Chemical Industry</u>		<u>Light Industry</u>	
<u>CSR</u>	<u>SSR</u>	<u>CSR</u>	<u>SSR</u>	<u>CSR</u>	<u>SSR</u>
0.860	0.747	0.825	0.742	0.77	0.746

The above analysis of the development of productivity for the period 1950-1974 and the period 1975-1983 indicates that:

a) industry has become the decisive branch of the national economy (it accounts for more than 60 percent of the national income). This is so because this sector has recorded a growth in production resources -- mechanical capital equipment increased more than 3.5-fold, employment 1.7-fold, gross production more than 6.3-fold and productivity 3.8-fold.

Increases in productivity are shared by a growth in workers provided with mechanical equipment (2.5-fold) and the efficiency of mechanical capital equipment (1.5-fold). From this, it follows that the dynamic growth of productivity was assured by both extensive (60 percent) as well as intensive (40 percent) factors, particularly during the period of 1950-1960;

b) the development of labor productivity was not uniform. During the period 1960-1965 it shows a deep decline in its dynamics, particularly in 1963, when this indicator reached its lowest point in the entire industrial sector (99 percent). This decline was a reflection of the complex domestic and foreign economic-political situation. For the years 1966-1974 a gradual renewal of the dynamics in the area of productivity and its stabilization are characteristic. However, it was not possible to attain again the high annual rates of 7 to 11 percent;

c) the years 1975-1983 are a period during which a low rate of productivity growth (annual average 2.9 percent) was recorded, along with a negligible increase in employment (annual average 0.7 percent). Dynamic growth has been recorded in the second component of production resources -- the mechanical capital equipment (annual average 7.8 percent).

The efficiency of mechanical capital equipment declined in 1983 in comparison with 1975 to a level of 73 percent. This points to significant reserves in the utilization of production capacities. The possibilities for their exploitation will continue to shrink. A limiting factor will be the constantly more difficult acquisition of the necessary raw materials and the shortage of manpower to staff available workplaces which were created by new capital construction. The problem of unfilled jobs will continue for many years and be increasingly difficult to solve as long as -- at least for a transitional period--a more decisive limitation of capital construction does not occur and as long as the retirement of mechanical capital equipment, following the end of its useful life, is delayed.

The following should contribute toward maintenance of the current rate in the development of labor productivity:

1. a purposeful policy in utilizing the results of science and technology which should be stimulated, on a priority basis, through the use of suitable measures in financing, verification, costs and enterprise as well as personal commitment;



ii. specialization, concentration and combination of production programs within the Czechoslovak economy;

iii. a speeding up of the program of integration processes within the framework of CEMA.

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CZECHOSLOVAKIA

# CAPITALIST METHODS JEOPARDIZE SOCIALISM

AU041226 Prague TRIBUNA in Czech No 21 of 22 May 85 pp 1, 3

[Article by Frantisek Kudrna: "On Our Main Current Task"]

[Excerpts] The time has come to consistently implement the principle that was formulated by the classics of Marxism-Leninism--namely, that the victory of socialism over capitalism will be ultimately determined by the level of labor productivity.

The conditions for launching a drive to achieve its radical growth exist. They lie not only in the objective trends of scientific and technological developments, but also in the economic base of the socialist countries and in their social conditions.

But which road are we to take? No socialist country has travelled this road so far. And movement through unexplored terrain is always complicated: We could easily get bogged down in a morass or arrive at the edge of an abyss.

We are thus facing an exceedingly complicated task, a task, however, which also exemplifies the exceptional grandness of our time, the magnitude of responsibility of those who lead and the extraordinary merits of those who manage to find a passable road and pave its basic direction for others.

The contours of two different roads are becoming apparent already. The first is a predominately capitalist one. It is characterized by the fact that research development is effected at the expense of the masses of working people.

Therefore, this path is unacceptable under socialism. I say "under socialism" because socialism always bears in mind, above anything else, the interests and the well-being of the working people. After all, we know that there are also "socialists" who are enraptured by capitalist methods. Ultimately, such methods must, and do, always lead to solutions at the expense of the working people, their standard of living and their social security, even resulting in the loss of social guarantees and in unemployment. Such a type of socialism is a peculiar one.

The principle is certainly correct that we must learn even from capitalism, and we are going to learn from it. Only fools and incorrigible swellheads are not willing to learn from everything around, drawing lessons from good as well as bad experiences. But we are going to learn from capitalism, above all, aspects of the development of individual sciences and technologies and not the solution of social processes and its methods of running the society. In their attitude toward people, toward working people, capitalism and socialism are like fire and water. Whereas capitalism relies primarily on the so-called elite, on "white collars," the socialist path is based on the development of initiative, activity, and participation by all working people. Their methods of running society cannot therefore be intermixed! Such attempts have always had a bad ending for the working people! One cannot produce any hybrid out of capitalism and socialism!

The ABC of Marxism-Leninism and experiences from international class struggles teach us that the capitalists will use any island, no matter how tiny, of their ownership of production assets in the ocean of all-social ownership to spread their ideology and views, to attach this small island to the mother country of capitalism, and to try with its help--if there is no other way, then slowly and quietly--to expand their "territory" with the aim of finally reversing everything in their favor.

It is not at all a coincidence that the aim of all subversive actions against socialism is the restoration (in any form feasible) of the capitalist ownership of production assets. They [presumably capitalists] deem the development of small-scale capitalist production a suitable way to reach this goal. That is why they so extol the merits of private initiative in the socialist countries. That is why they accord preferential treatment to those who are embarking upon this path, whatever the reasons. This is a dangerous path. As is known, "small-scale production generates capitalism and the bourgeoisie and does so incessantly, daily, every hour, in an unrestrained fashion and on a mass scale...."

It would be silly, of course, to condemn in the name of this profound truth the growing of vegetables or the raising of a small pig by a citizen in his garden or the utilization of citizens' skills and talents to improve small service for the populace.... Nevertheless, it is precisely because of the small producers' voracious capitalist qualities that it is necessary to be on guard in this area and to set exact rules of the game that will prevent the unrestrained revival of small capitalists, rules of the game that, moreover, correspond to the existing state of the development of society. It would be dangerous for socialism if this genie were to be let out of the bottle!

It is necessary to bear in mind that socialism depends on the social ownership of production assets. That represents the main dividing line between capitalism and socialism. And strengthening socialism means, above all, strengthening this social ownership! The mere declension of the words "socialism" or "Marxism" in itself will solve nothing. Empty cliches will neither bring about socialism, nor will they strengthen it. What is needed are socialist deeds!

Let us recall once again (because some people have not realized this yet) that we are facing a wholly exceptional stage of the development of both mankind as a whole and of its integral and most progressive detachment--world socialism. So far, we are only in the position to roughly estimate what course it will take. Successful advancement will also require an extraordinary development of creative Marxism. Marxism-Leninism is a living teaching. It is not a set of dogmas but represents essentially a guideline for solutions.

It is logical that under the qualitatively wholly new situation that is arising, creative search will be complicated. We will also have to grope. It is possible that we will not succeed in discovering the best paths at once. And precisely this complexity gives rise to the real danger of going astray or getting lost. This could happen if we lose our orientation, if we fail to keep constantly in mind the ultimate goal that we want to achieve, and if we allow the obstacles and difficulties to demobilize us to such an extent as to grasp at every straw and branch that our surrounding--read, capitalism--offers us.

The following was, is, and will always be the case in all stages: The struggle for socialism and its development does not take place in the economic sphere alone, but it also takes place in the sphere of ideology, including theory. It assumes the concrete form of struggle for asserting the general laws governing the transition to socialism and the development of the socialist society. I think that an aspect of this problem was pointedly described by the Polish weekly *SPRAWY I LUDZIE* this January, in a critical article entitled "Adding Just One Word": "The advocates of various 'models' of socialism concede by Marxism and simultaneously deny the existence of general laws. They reduce the problem of socialist construction to the problem of socialist construction to the problem of running the state and the economy and deem the existing socioeconomic conditions unchangeable. They assert propositions about the permanence of a mixed economy under socialism and reject the Marxist-Leninist perception of socialism as a historical process of the gradual liquidation of private ownership and classes. They also ignore the law that was discovered by Lenin that, under the conditions of a mixed economy, small-scale production represents an economic basis for the restoration of capitalism. As a result, by adding a single word they label everything as 'socialist'--there are socialist private farmers, craftsmen, businessmen, foreign firms, a socialist free trade, and so forth."

We should note in this connection that even capitalism does not promote small enterprise today. One does not have to be an expert in world economy to know that small and medium-sized farms, for example in the United States, are essentially ruined and are being liquidated on a mass scale.

The "utilization" of small-scale capitalist production is thus neither a way toward large-scale production, nor a way toward scientific and technological progress, let alone a way toward socialism.

Yes, the conditions are diverse, complicated, and singular. There is no doubt that it is necessary to use all possibilities to develop and strengthen socialism. However, the methods must be commensurate with our goal and must not destabilize socialism.

Our search is thus a search within the framework of socialist, within the framework of its basic principles and laws, within the framework of developing and strengthening it!

CSO: 2400/438

CZECHOSLOVAKIA

CONTENTS OF COOPERATION PROGRAM WITH USSR NOTED

AU040820 Prague RUDE PRAVO in Czech 1 Jun 85 p 1

[Unattributed report: "In the Interest of Further Dynamic Development"]

[Text] Friday afternoon, in the Valdimir Hall of the Kremlin in Moscow, Comrade Gustav Husak, general secretary of the CPCZ Central Committee and CSSR president, and Comrade Mikhail Gorbachev, general secretary of the CPSU Central Committee, signed the Program of Long-Term Economic, Scientific, and Technical Cooperation Between the CSSR and the USSR Up to the Year 2000.

The solemn act was attended by Svatopluk Potac and Rudolf Rohlicek, CSSR deputy premiers; Bohumil Urban, minister of foreign trade; and other members of Comrade Gustav Husak's entourage.

Present on the Soviet side were members of the CPSU Central Committee Politburo Geydar Aliyev, Viktor Chebrikov, Viktor Grishin, Andrey Gromyko, Nikolay Ryzhkov, Mikhail Solomentsev, and Nikolay Tikhonov; candidate members of the CPSU Central Committee Politburo Petr Demichev, Vladimir Dolgikh, Vasiliy Kuznetsov, Boris Ponomarev, and Sergey Sokolov; CPSU Central Committee secretaries Ivan Kapitonov, Viktor Nikonov, Konstantin Rusakov, and Mikhail Zimyanin; deputy chairmen of the USSR Supreme Soviet Presidium; deputy chairmen of the USSR Council of Ministers; and other representatives of the political, public, economic, and cultural life of the USSR.

The document establishes conditions for the further dynamic and balanced development of the Czechoslovak national economy, helps to raise the efficiency of production and improve its structure, and promotes a stable growth of the exchange of goods.

Paramount emphasis is being placed on coordination in speeding up scientific and technological progress in key branches of the national economy and on introducing the attained results into production.

In the sphere of material production, joint efforts will be aimed at intensifying and improving the division of labor, especially in engineering, which will continue to determine the dynamics of mutual economic relations between the CSSR and the USSR.

According to the program, the two countries will concentrate on the development and production of automation devices with a wide-ranging use of electronics, on the development of a new generation of computer technology and technological equipment for nuclear power plants, and so forth. Cooperation in ensuring fuels, electricity, and raw materials, in the chemical industry, nonferrous metallurgy, consumer goods industry, the agriculture-food industry complex, and in transportation is reaching considerable proportions.

The program represents a qualitatively higher level of mutual cooperation.

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CZECHOSLOVAKIA

PROBLEMS IN COMPUTER HARDWARE, ITS USE DISCUSSED

AU281306 [Editorial Report] Prague TRIBUNA in Czech No 15 (of 10 April 1985) and No 19 (of 15 May 1985) carried in two installments a 2,500-word article by Jan Belda entitled "Computers in Prague." The article sums up the results of a "comprehensive investigation" conducted by the Economic Commission of the Prague CPCZ City Committee, concerning problems in the production and use of computers in the CSSR capital. These problems, it is said, "reflect the key problems in the development of computer technology in general." The first installment of the article, subtitled "Pains of Growth," deals with the problems of production and service. It concludes that despite a labor productivity that is "less than 50 percent" of the labor productivity of "industrially advanced countries," the production of computer technology in Prague enterprises is "economically effective." According to Belda, however, this is mainly a result of the fact that "top world producers" have themselves phased out the production of punched-card and punched-tape technology (the type of technology produced in Prague) as "prospectless" and are now willing to pay good prices for it.

The second installment of the article, subtitled "What Happens When Criteria Are Missing," deals with problems in using computers. It opens by saying that about 25 percent of all computers currently in operation in Czechoslovakia are in Prague, at a "cost" of almost Kcs12 billion, including peripheral equipment. They comprise 90 different types, which, according to Belda, "complicates maintenance and service" and accounts for the "low labor productivity" of service personnel. A total of 245 mainframe computers currently installed in Prague come from socialist countries and 201 from non-socialist countries. This "relatively large" number of computers from non-socialist countries, Belda says, is due to their "lower acquisition cost": "Although freely convertible currency is needed to purchase them, computers from nonsocialist countries are still cheaper, especially in terms of per-unit performance." Nonetheless, Belda adds, the number of computers from nonsocialist countries is on the decline. Whereas in 1982 50 computers from socialist countries were installed in Prague, compared with 38 from nonsocialist countries, in 1983 and 1984 computers from nonsocialist countries were installed "only sporadically."

Belda goes on to discuss the shortcomings of new computers from socialist countries. He says: "The average age of computers in Prague is the highest in the CSSR. This reflects the endeavor to keep in operation antiquated and obsolescent technology, which, however, is reliable and well-supplied with programs. The deliveries have now started of CSSR-manufactured 3.5 generation computers from the JSEP [Standardized System of Electronic Computers] series. However, their supplies still show the traditional shortcomings: poor reliability (not rugged enough, the ability to quickly locate the source of error and breakdowns), long time required for installation, and shortage of rational programming instruments. The start-up period to first deliveries for every new "line" of JSEP computers is 3 years, because it is necessary to eliminate deficiencies in hardware and software, mistakes in manuals, and the like. This means, in fact, that shortcomings persist throughout the service life of one generation of computers....

"Computers from socialist countries, including those produced in Prague, are difficult to complement with necessary peripheral equipment. Many reliably functioning systems from socialist states thus have to be equipped with peripheral devices from nonsocialist countries, especially disk units, printers, and terminals."

Speaking on the use of computer time, Belda stated that, although it is higher in Prague than in the rest of the republic, it is still negatively affected by the long queues in certain periods (caused by same-time deadlines for submitting statistical data); by the "low labor productivity" of computer programmers; by the shortage of storage disks and terminals; as well as by the computers' "reliability rate" of only 75 percent. Belda also notes that only 2.2 percent of computer time is used to "direct control of technological processes," which he attributes to the "poor reliability of our systems for this type of operation," to "distrust" of the systems, as well as to lack of adequate software for such operations.

In concluding the article, Belda criticizes the current "economic tools" for failing to promote an "economic use" of computer technology. He deplores the fact that there is no system for exchanging computer software, which can only be sold under current regulations, and that the copyright issue with regard to computer software has not been resolved so far. He also notes that managers have no incentive to reduce the staff at the computer centers as the number of employees continues to be the crucial criterium for appointing heads of data processing departments. And, finally, Belda criticizes the fact that economic instruments exert no pressure on raising the labor productivity of computers. If economic incentives exist at all, he says, they are only indirect in that they peg the remuneration of data processing departments to the overall economic results of the organization for which they work.

In an editorial note attached to Belda's article, TRIBUNA notes that in view of the "gravity" of the issues discussed in the article, the weekly will continue "to deal in detail with problems of the production, use, and servicing of computers."

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CZECHOSLOVAKIA

GOVERNMENT DECIDES TO PHASE OUT WORKING SATURDAYS

AU201414 Prague RUDE PRAVO in Czech 18 May 85 p 1

[Editorial: "Let Us Make a Better Use of Working Time"]

[Excerpt] The need to devote greater attention to the problems of management, labor organization, and work morale and discipline is becoming apparent. This is evident, in particular, in connection with the plan to increase the number of workfree days in the course of the Eighth 5-Year Plan [1986-90]. A total of 99 federal and republic sectors and central agencies responded to pertinent question of the CSSR Government. Most of them indirectly conceded that the existing reserves in the use of the work year should permit them to dispense with working Saturdays in the future. This also means that none of these sectors and organizations will require a change in its plan. The CSSR Government has, therefore, decided to gradually curtail the system of working Saturdays in the course of the Eighth 5-Year Plan and to abandon them altogether in the Ninth 5-Year Plan. In 1986, there will be four working Saturdays [compared with five in 1985]; in 1987, two; in 1988 and 1989 one each; and in 1990 none. The planned tasks of the last year of the Eighth 5-Year Plan will thus have to be fulfilled in 255 working days. It is necessary to prepare for this change--not for spending the extra leisure, but for fulfilling the exacting tasks in a shorter time. The government's resolution commands, in this respect, that a number of measures be taken to ensure thorough preparation.

The decision of the CSSR Government, which has been fully endorsed by the CPCZ Central Committee Presidium, will be received by our working people with satisfaction. They must realize, however, that its gradual implementation is contingent on a better thought-out organization of labor [than is the case now], on a more efficient utilization of working hours, and on increased accountability for the attainment of planned quality and efficiency and of production in accordance with the planned directives on its utilization. Should a work collective prove to be unable to master the entrusted task within the set working time, the head of the organization--following agreement with the trade unions and in accordance with instructions from the central agencies--will be entitled to determine additional work shifts.

The gradual increase in workfree time constitutes, undoubtedly, a contribution to improving the standard of living, the value of which is, in principle, decided by the results achieved in work. And these results, in turn, depend to a considerable degree on the use of the work year. In other words, if the creation of resources will not suffice to ensure the needs of society, its standard of living, and social guarantees, the increase in leisure time, too, will not yield the desired effect.

At present, working Saturdays account for about 2 percent of the work year. The reserves in the use of working hours are, however, far bigger than this; in some organizations, whose employees have not yet grown accustomed to working from the first to the last sound of the whistle, they are several times that percentage. No one should, therefore, be content in the years to come, to be gradually making up in regular weeks for just these 2 percent. Responsibility vis-a-vis society requires that all means, methods, and ways of raising work morale and discipline to the required level be utilized. This is, above all, the task of management throughout the national economy.

CSO: 2400/423

CZECHOSLOVAKIA

BRIEFS

COOPERATION TALKS WITH CUBA--The ninth session of the Czechoslovak-Cuban Committee For Economic and R&D Cooperation ended in the Hrzan Palace in Prague today. At the close of the talks the heads of both delegations, Ladislav Gerle and Joel Domenech Benitez, signed a document summarizing the results of the talks. In it they praise the results achieved in the development of mutual economic relations and they formulate tasks of cooperation in the economic area in the next period. [Text]  
[Bratislava Domestic Service in Slovak 1930 GMT 24 May 85]

TECHNOLOGY IMPLEMENTATION DISCUSSED--The Federal Commission for Research and Development and Investment Planning discussed today in Prague a report on the implementation of the state plan of technological development and standardization for 1984. The report says that last year 98 percent of the total research and development tasks were fulfilled. In the practical use R&D results, the volume of the newly introduced production was valued at more than Kcs18 billion. The federal technological development plan for this year contains almost 250 tasks. Over 190 of them are obligatory, and the volume of production stemming from their use should be worth approximately Kcs3.7 billion. The participants in the session of the Federal Commission for Research and Development and Investment Planning also discussed documents entitled Analysis of the Efficiency of the Scientific-Technological base of Czechoslovakia, as well as draft measures for a definite increase in their efficiency. [Text] [Prague Domestic Service in Czech and Slovak 1700 GMT 21 May 85]

CEMA EXECUTIVE COMMITTEE SESSION--Moscow, 18 May (CTK correspondent)--Czechoslovakia last year fulfilled all its commitments in the area of joint CEMA construction projects, especially in engineering and specialized chemical production, Czechoslovak deputy premier and permanent representative in CEMA Rudolf Rohlicek told CTK. In an interview at the end of the CEMA Executive Committee session here, Rudolf Rohlicek said that positive results have been achieved also in scientific and technological cooperation and Czechoslovakia fulfilled its tasks ensuing from economic integration. Rudolf Rohlicek added that Czechoslovakia is interested in increasing deliveries, especially in the field of engineering and expects, inter alia, to be taking part in the construction of a gas pipeline from Yamburg to the western border of the USSR, in building nuclear power plants, and with cooperation in the production of catalysts in the USSR. [Text] [Prague CTK in English 1215 GMT 18 May 85]

24 June 1985

OBZINA ENDS VISIT TO JAPAN--Jaromir Obzina, deputy premier of the Czechoslovak Government and chairman of the Federal Commission for Research Development and Investment Planning, ended his working visit of Japan. During his closing day he visited the largest Japanese car factory, Nissan. He acquainted himself with its production and talked with the leading workers of the enterprise about research and development and international economic cooperation. Conversations between Jaromir Obzina and highest representatives of the country confirmed that expansion of economic contacts is beneficial for the economies of both countries. [Text] [Prague Domestic Service in Czech and Slovak 0800 GMT 31 May 85 LD]

OFFICIAL VISITS STATE FARM--Frantisek Pitra, secretary of the CPCZ Central Committee, today visited the South Moravian region. At the Znojmo state farm he acquainted himself with its economic results and concepts for further development. He inquired about the conditions of cereal fields, fodder plants and sugar beet, and he looked at some modern production systems. In the afternoon he took part in a political-economic aktiv called "To Work for the Order of Labor for the Znojmo State Farm." Comrade Frantisek Pitra in his speech praised the many years of successful economic results and the good political organizational activity of workers of the Znojmo state farm as well as their care for the development of social and cultural amenities. He recalled that at the present time it is necessary to mobilize all forces for successfully completing the second stage of spring work. [Text] [Prague Domestic Service in Czech and Slovak 1300 GMT 31 May 85 LD]

CSO: 2400/438

GERMAN DEMOCRATIC REPUBLIC

ECONOMIC GROWTH PROSPECTS OUTLINED

East Berlin EINHEIT in German Vol 40 No 4-5, Apr-May 85 (signed to press 14 May 85) pp 319-325

[Article by Guenter Mittag, SED Central Committee politburo member, member of the Council of State: "Joint Prospects up to the Year 2000"]

[Text] As an economically efficient socialist state fraternally allied with the Soviet Union forever, the GDR is celebrating the 40th anniversary of the victory over Hitler fascism and of the liberation of the German people. Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council, has affirmed: "Fulfilling the legacy of more than 20 million Soviet citizens and of all the antifascist resistance fighters who gave their lives to the victory of humanism and civilization is a sacred duty to our socialist workers and farmers state. In the friendship with the Soviet Union lies an irrevocable fundamental concern of our party and government policy. It became our people's heartfelt cause."\*

For generations our people will observe with their hearts that it was the world historic act of liberation by the Soviet Union that also granted our people the chance for a new beginning. The gate was pushed open that led to a new future, a future of peaceful efforts for the good of the people. At that time, in view of the debris of World War II, the flames of which burst back to where that world conflagration had been ignited, few only could imagine that a state could ever emerge on German soil which would not only write the well-being of the people as a goal on its banners, but implement it too, day after day, in political practice; a state that would assume a place of respect, through its high economic achievements, in the forefront of the industrial states on the earth; a state pursuing a peace policy that would find great international recognition. Today that is a reality our people have experienced.

Right now, our getting set for the 11th SED Congress determines social development in our republic. It is going to issue its resolutions on the further stretch of the road toward shaping the developed socialist society, the road on which we are successfully advancing--in line with our party program--and

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\*Comrade Erich Honecker, "Aus dem Bericht des Politburos an die 9. Tagung des ZK der SED" [From the Politburo Report to the Ninth SED Central Committee Session], Dietz publishing house, Berlin, 1984, p 8.



on which that which is socially new, and which differs fundamentally from the capitalist exploiter society, is powerfully being shaped further for the good of the people and the safeguarding of peace.

We are advancing along this historic course side by side with the people first to have, through the Great Socialist October Revolution and on its tracks, not only built socialism, but also defended it with success against any assaults from the imperialist class enemy. It is patently symbolic that each advance made by the GDR has been linked and is linked with new steps toward developing and deepening its fraternal alliance with the USSR. An outstanding signpost for it has been the friendship, cooperation and mutual assistance treaty of October 1975. That treaty came at the time that was initiated by the Eighth SED Congress, marked more prominently still by our close community with the USSR.

On the side of strong friends and of that country which in its whole essence and destination embodies human progress by way of socialism also relies the certitude our republic has of its assured prospects. That is reflected by the deepening of all-round cooperation, especially in the scientific-technological and the economic field. A broad bow thus spans from the tough years of the start across the present, which has already achieved a close intertwining of the economies of the GDR and of the USSR, down to the future approaching the turn of millenia.

#### In Conformity with the Inevitabilities of History

Our country could make such fine headway only because our party, from the outset, based its policy on the insights of Marxism-Leninism and let itself be guided by the revolutionary experiences of struggle and our party's Thaelmann traditions. That meant always proceeding from the universal inevitabilities of the socialist revolution, as it first began to evolve, primarily, in the Soviet Union.

Using the historic chance offered to our people on 8 May 1945 required, above all, doing what we could to establish, reinforce and never again surrender the power of the workers class in alliance with the working peasantry and setting up the socioeconomic bases for abolishing the exploitation and suppression of the people. That the workers class, based on the Soviet Union's historic act of liberation, proceeded to exercise the political power, in alliance with the working farmers, took over the command echelons of the economy, converted the enterprises of the war criminals and Nazi activists into public property, and rendered the monopolies impotent was imperative for paving the people's way into a new and peaceful future. That laid the cornerstone for that development which is expressed today in the main task policy, the unified economic and social policy, establishes our republic's political stability and economic dynamism, and thus exercises a lasting effect on the life of our people.

Through such acts our party has been and is in conformity with the fundamental social inevitabilities of our era. Lenin at the beginning of our century is known to have worked out that capitalism in its highest, imperialist stage, by means of the monopolies, had pushed the process of the socialization of production up to a level that came close to being socialism. So it was only

consistent and right not only for monopoly power to be broken, but for the workers class simultaneously doing what it could to develop the productive forces on a qualitatively new basis, to shape the socialization process of production under socialist terms, extend socialist property, manage the economy according to the principle of democratic centralism and turn it into a socialist planned economy based on the effects of the objective economic laws of socialism.

It will enter the annals of history for good that surmounting the consequences of war, which exacted gigantic efforts from the people, went hand in hand with a steady efficiency boost for the good of the people, finding its socially so effective expression since the Eighth SED Congress in the main task.

In these four decades under review productive forces were created at a scope that provided the GDR with a high economic performance capability. Not only was the nearly unimaginable debris of World War II eliminated in many fields and the enterprises and plants were rebuilt, but the industrial production apparatus was fundamentally revitalized in crucial sectors. Today, of the circa M 265 billion in equipment in the industrial ministries sector, 33 percent is no older than 5 years, 59 percent no older than 10.

Decisive was, however, that together with the renewal of the material-technical base the socialist planned economy was fashioned as a whole in such a way that it would prove itself--as our steady performance improvement indicates--an up-to-date, modern socialist economy, most efficiently producing for the good of the people.

That is impressively attested to also by the results of 1984. The produced national income rose by 5.5 percent, that is M 11.7 billion over last year. That came to the highest absolute growth thus far within one year. The growth of net production in the industrial ministries sector came to 8.5 percent while labor productivity rose by 7.7 percent. These results are as much an expression of consistent intensification as is the nearly 5-percent drop in the specific consumption of economically significant energy sources, raw materials and semifabricates. Prime costs by M 100 of commodity output in the industrial ministries sector dropped to 2.3 percent below the year before, more, that is, than in all previous years. The basis for our economic performance growth--clearly shown by the 1984 outcome--is our converting to comprehensive intensification.

Whenever the balance-sheets are drawn up in our republic and new tasks are to be staked out one finds that each phase in further GDR development also is one of our further deepening of fraternal cooperation with the USSR. That has already become a standard feature in our republic for our successful social advances.

#### New Great Prospects

The approaching 27th CPSU Congress and the 11th SED Congress and the congresses of other fraternal parties indicate that socialism is entering a new and higher phase of development.\* Its substance--that is the firm position of the CPSU

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\*Cf. "Comrade Erich Honecker's Speech at the SED Central Committee Secretariat Conference with the Kreis First Secretaries," NEUES DEUTSCHLAND, 2/3 February 1985, p 1.

as of the SED—is mainly determined in the economic field by speeding up the economic conversion to intensification on the basis of the possibilities germane to socialism. Mikhail Gorbachev, general secretary of the CPSU Central Committee, has said: "We have to achieve a decisive turn in converting the economy to the intensive way of development. We must and are obligated to achieve at short shrift the foremost scientific-technological positions, the top world production standards in social labor. To solve this task more successfully and faster we shall have to continue and systematically perfect the economic mechanism and the entire management system. This way and by selecting optimum decisions, we have to apply creatively the fundamental principles of socialist economic management. This means being undeterred in carrying on the planned development of the economy, strengthening socialist property, expanding the rights and independence of enterprises, and reinforcing their being interested in the end results of labor."\*

In getting set for our 11th party congress, the ninth SED Central Committee session staked out the fundamental tasks so as to ensure a permanent performance improvement of the GDR economy through comprehensive intensification and set the preconditions for consistently continuing the main task course in its united economic and social policies. In terms of the performance growth required both quantitatively and, mainly, qualitatively, the economic prospects till 1990 and beyond, up to the turn of the millenium, came into view.

We are already working on expanding our domestic energy and raw materials base, turning it into the basis for more enhanced production refining on all production levels. The main concern is making more use of domestic lignite as energy source and raw material. In 1984 already the output approached the 300 million ton mark. All this is of great importance for further steps, to create the scientific, technical-procedural and production related prerequisites for refining raw lignite into high-grade chemical products.

The chemical industry altogether is being turned still more than thus far into a refinement chemistry through which the available domestic and imported raw materials are made use of most efficiently. This basic trend applies also to the metallurgical industry, where refined products will increasingly determine the production assortments. In other fields also more is to be made of domestic raw materials to produce from them both already used and new semifabricates. Envisaged also are the further tapping and productive reuse of all the by-products from the economic production cycle, with attention given to the demands for high economy as well as for the protection of the environment.

New and great tasks arise for electrical engineering and electronics and machine construction. Microelectronics has found a definite place in our economic structure. It relies on the achievements of the economy at large and, in turn, through its products crucially contributes to high efficiency in all sectors. That applies in particular to electrical engineering and electronics and machine construction themselves, with production programs that increasingly depend on the use of microelectronics. On that basis export products—including consumer commodities—are put out through which the GDR is making its active contribution to close economic linkage with the USSR and the other CEMA countries.

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\*M. Gorbachev, "Speech on the Extraordinary CPSU Central Committee Session," NEUES DEUTSCHLAND, 12 March 1985, p 2.

It is of the greatest importance for our country's future that the chief economic developmental trends now taking shape conform in principle with those objective requirements for productive forces development that are placed on the agenda for the further strengthening of socialism per se.

If our party is in the position to determine the prospects in the basic trends in shaping the GDR economy till 1990 and beyond, up to the turn of the millenium, the solid foundation for it are the agreements made with the Soviet Union on science, technology and production cooperation up to the year 2000. This long-term program has been rightly defined as a historic step toward further deepening and intertwining the economies of the GDR and of the USSR. Its implementation initiates a new phase in the all-round economic, scientific and technological cooperation and interlinkage of both countries' economies. This fundamental step, in line with the agreements made in June 1984 between Erich Honecker and Konstantin Chernenko, fully conforms with the CEMA economic summit resolutions and is aimed at their concrete implementation.

The great international attention this long-term cooperation program has found underscores that this amounts not merely to economic matters, but to matters of a political importance of principle. This documented once again before the whole world that the GDR is tied to the Soviet Union through indestructible friendship and firmly anchored within the socialist community.

The economic tie-up between the GDR and the USSR economies proceeding toward a qualitatively higher level in the sense of that agreement aims at solving fundamental questions in the productive forces development in the two countries, a further speed-up in scientific-technological progress and the purposeful economic utilization of its results, the joint elaboration of new technological solutions in important key sectors and, mainly also, in provisioning the population with consumer goods.

It fully conforms to the attention the CPSU and the SED are devoting to solving the economic tasks and, with it, to the deeper linkage between the economies of our two countries that shortly after the agreement on the long-term program already 14 new accords were signed which serve its implementation. They deal with such important sectors as electrical engineering and electronics, machine and vehicle construction, the chemical industry and consumer goods production. They are aimed at comprehensive economic intensification, at manufacturing new products with new and highly productive technologies. In conformity with the resolutions from the CPSU and the SED central committees, the parity government commission for economic and scientific-technological cooperation between the GDR and the USSR is working on the purposive implementation of this long-term program.

Based on the, currently, more than 200 governmental agreements and ministerial accords, the mutual exchange of specialized and cooperation products is making fast headway. Relying on the enormous scientific-technological potential of the USSR and the GDR's own increasing efforts, a broad research cooperation has evolved which increasingly determines our industrial cooperation and trade structure. Typical of it are the concentration on propitious technologies through the broad use of microelectronics and focusing our cooperation on such projects as make possible the consistent conversion of our economies to comprehensive intensification. A faster turnover of the generations of products is given special attention in this.

It attests to the high level of the scientific-technological and economic cooperation between the GDR and the USSR that the research and production cooperation is targeted at priorities in the development of modern technologies and commodities. It helps implement more effectively and faster the tasks to be implemented by the economies of the two countries in proceeding toward intensification. With it we are drafting further accords in selected and economically decisive fields. All this gets combined with coordinating the economic plans of the GDR and the USSR for the 1986-1990 period as the main instrument for economic policy coordination.

The increasing interlinkage between the GDR and the USSR economies is determined more and more by the speed-up in the conversion to economic intensification. It conforms to the CEMA summit resolutions, and it is in this fundamental direction that the CPSU is guiding the USSR economy and the SED, the economy of the GDR. Intensification efforts thereby have entered a new stage. It becomes apparent that intensification is the decisive, the crucial, indeed the only possible way to ensure long-range high performance growth for further consolidating socialism. On behalf of solving this strategic task everything is being done to achieve the turn to intensification as fast as possible and noticeable results by means of it. It can already be said that the preparations for the 1986-1990 five-year plan period and the strategic orientations leading beyond it, up to the year 2000, are fully placed under these auspices in the USSR as well as the GDR. It is going to lend new impulses to deepening the all-round scientific-technological and economic cooperation between our two countries.

#### Onward to the 11th Party Congress by Way of Comprehensive Intensification

The preparations for the 11th SED Congress rely on important experiences and further steps toward comprehensive intensification. This new phase in our party's economic strategy is being implemented in accordance with the ninth Central Committee session guideline on "advancing toward comprehensive intensification, and at long range at that."\*

We rely here on those important results that have been achieved toward intensification on the basis of the 10th party congress resolutions. In this period a steady performance growth took place, expressed between 1981 and 1984 by an average annual 4.4 percent national income growth. In 1984 itself, the rate was further increased.

The entire economy engaged in a resolute effort to boost labor productivity while trimming the specific and absolute consumption of economically significant energy sources, raw materials and semifabricates. Furthermore, measures were initiated to upgrade fixed assets available through a more efficient placing of investments, the achievements in in-house means of rationalization production in the combines and enterprises playing an ever increasing role. The decisive realization of this period has been that now the high economic performance growth has already been ensured within the process of an already penetrating intensification conversion, and new points of departure have been gained that must be

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\*Comrade Erich Honecker, op. cit., p 31.

further extended and carried on at a higher level. The crucial requirements for that were set down in the speeches by Comrade Erich Honecker at the ninth Central Committee session and in the Central Committee secretariat conference with the Kreis first secretaries.

Solving the intensification tasks relies on the basic developmental trends in the natural sciences and in technology for the 1986-1990 period and beyond, to the year 2000. That implies the need to substantiate each separate intensification step through scientific-technological results of the highest economic effectiveness. Those are mainly such scientific-technological achievements that are oriented to top international standards and targeted at what goes beyond the already known. Future intensification advances will rely on a qualitatively higher level of science and technology. So it is all the more important to focus on it already now, while getting set for the 11th party congress.

To achieve higher efficiency through new products and modern technologies, high targets have been set down for production upgrading in industrial combines and enterprises. They envisage an average 30-percent annual rate of upgrading of production assortments. Those are high criteria, yet the point is, after all, to develop, and produce according to demands, commodities of higher use-value and through reduced expenditures. Yet these criteria conform to the objective requirement for placing the intensive extended reproduction in our economy on permanent foundations through scientific-technological achievements and their purposive use in production. This approach becomes all the more important since we must offer products to the USSR economy, proper as to its demands, that represent top scientific and technological standards.

This line production upgrading comes together with a comprehensive process of refining on all production levels, the special point being that domestic raw materials are turned into economically highly effective quality products. Ancillary production has here also a special responsibility if we are to reach this new and higher stage. A most decisive economic outcome of this refinement conception must be to increase the supplies in consumer goods for the population in scope, assortments and qualities.

Boosting labor productivity is and remains a key issue for the entire intensification process. This way alone can society gain those resources in working hours and manpower that are needed to meet the new economic requirements, and this with regard to tapping and using more domestic raw materials, including secondary raw materials, as well as to a growing production assortment and further enhancing the reproduction capacity of the economy through upgrading the fixed assets by way of rationalization. In terms of the time economy law, labor productivity boosts are intimately tied up with establishing new prerequisites for carrying on intensive extended reproduction. Here the rate must be accelerated and the level be raised. Great importance here attaches to the further expansion of in-house means of rationalization production in a quantitative and, above all, a qualitative sense, as this, after all, amounts to a key question for achieving scientific-technological results both in the products and in the technologies.



The advances made in intensification as well as the tasks to be resolved this way find their solid premise in those combines in which, essentially, a closed reproduction cycle is in effect. It is principally up to the combines themselves to provide the reserves for their intensive extended reproduction. For that--and this is true of each combine--they have been assigned a high economic responsibility on the basis of the state plan. For assuming that responsibility it turns out to be exceedingly important for the combine to be composed of enterprises that are getting their state planning quotas and are working according to economic cost accounting; for it is in the enterprises where the working people's creative initiative is specifically being developed both in production and through their scientific-technological training; here the targets of the state plan are keyed to the liabilities of each and every collective; and here are generated to concrete obligations to its fulfilment and overfulfilment in socialist competition. Particularly in preparation for the 11th SED Congress this socialist competition has a profound political content. Its basic ideas are deeply tied up with further strengthening socialism in the GDR in its irrevocable fraternal alliance with the USSR.

Supported by a grand people's initiative in socialist competition by way of comprehensive intensification, it was brought about for 1984 to become the most successful year thus far in the history of our republic. That is a solid basis for further increases in achievements in preparation for the 11th party congress, under the auspices of which new and greater achievements are extending the socialist mass competition for the consolidation of the socialist GDR. Within this political mass movement for high economic achievements to strengthen socialism, the 40th anniversary of the victory over Hitler fascism and of the liberation of the German people constitutes an outstanding milestone. The SED and the GDR people find in this joint celebration a special obligation to deepen further their fraternal alliance with the Soviet Union, which cracked open the gate for us to shape our own destinies as a free people on a free soil, and to contribute, through outstanding deeds of labor, to the strengthening of socialism and the safeguarding of peace.

5885

CSO: 2300/414



GERMAN DEMOCRATIC REPUBLIC

STATISTICS PROVIDED ON SHIPBUILDING INDUSTRY

East Berlin PRESSE-INFORMATIONEN in German No 44, 16 Apr 85 p 6

['Facts and Figures' report by Press Office, Chairman, GDR Council of Ministers:  
"Shipbuilding in the GDR a Productive Branch of Industry"]

[Text] Ships and ship equipment from the GDR are now proving their worth under flags of over 50 countries. As means of transportation on the high seas and on inland waterways, as fish-catch and processing ships and as refrigeration ships, as chain-and-bucket excavators of the Technical Fleet and floating hotels, they testify to the work of roughly 57,000 workers of the Kombinat Schiffbau VEB and of thousands of collectives of the subcontracting industry.

Aside from the parent enterprise and the Schiffsscommerz foreign trade enterprise, the combine comprises productive sea shipyards, inland shipyards and sub-contractor enterprises of marine-engine and installation production. In 1984, 67 oceangoing ships in 13 models having a volume of roughly 387,000 tons were delivered.

With series such as the ro/ro ships, the "488" factory trawlers, the "Aequator" multipurpose freighters and the freezer trawlers, the combine consistently continues the renewal process of its products. It was possible to make the production process in the shipyards even more efficient by using 40 additional industrial robots--this brings the total now up to 123--especially for shaping, jointing, and preserving work. This was closely linked to the reduction of work burdens.

The 1985 goal is: building of 73 new ships in 12 models, including 63 ships in 9 models for the USSR. The long-term contracts with the Soviet Union form the basis of the stable development of GDR shipbuilding.

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Since 1946 over 5,000 ships in about 170 models have been launched--cutters, supertrawlers, coastal motor boats, all-container ships, tugboats, sea chain-and-bucket excavators, inland passenger boats and ocean-going passenger ships. About 3,300 of the ships built by the GDR shipyards have since been put in service by the USSR shipping enterprises.

The collectives of the Warnowwerft VEB, Warnemuende, have accomplished exemplary performances. From 1957 to the end of 1984 they developed and produced a total of over 300 ocean-going freighters in 20 basic models, including general-cargo vessels and multipurpose ships, special bulk carriers, all-container ships and lo/ro multipurpose freighters.

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With the building of 8 new ships and a volume of 105,746 tons, the Mathias-Thesen-Werft VEB, Wismar, achieved in 1984 the thus far highest annual result. Since 1972, the shipyard has been sole manufacturer of large refrigerated transport ships for fleet fishing based on division of labor. The shipyard collective, jointly with Soviet specialists, systematically transferred construction and operating experience from the prototype "Polar" of the 70's to the refrigerated ship series "Kristall I" and applied the latest findings to the present model "Kristall II."

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In 1984, 35 freezer trawler/seiners were launched in the Volkswerft VEB, Stralsund. From 1981 to the end of March 1985, a total of 70 of these medium-sized catch and freezer ships were built. During the first three months of 1985 alone, 10 were turned over to Soviet deep-sea fishing. The series-oriented shipbuilding program of the Volkswerft is eloquent proof of the advantages of socialist economic integration.

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The new ro/ro "Trailer 161" ship series is being built by the Schiffswerft "Neptun" VEB, Rostock. Here the modern sea chain-and-bucket excavators with a lifting capacity of 750 cubic meters per hour at 12 meter water depth are being built. The 53rd and thus last 12680 tdw multipurpose freighter of the "Neptun" series was launched at the end of December 1984. The basic type, modified several times since 1970, has stood the test under the flags of 16 countries.

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After successful sea trials lasting several days, the passenger vessel "Leonid Sobalev" of the Elbwerften Boizenburg/Rosslau VEB was turned over to the USSR. Ships of this type are being used on several routes on the Dnepr, the Don, the Volga and the Far East Amur. In addition, the Elbwerften are building especially CBK 1700 ocean-inland waterway freighters. This program is based on long-term orders of the USSR, which systematically develops and strengthens inland waterway shipping of freight.

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The collectives of the Kombinat Schiffbau VEB, in cooperation with scientific-technical facilities and the subcontractor industry, have been able to constantly improve their products. They achieved optimum energy economy of the

ships especially by employing main drive installations with reduced fuel consumption, the installation of shaft-driven alternators and by high utilization of waste heat. Latest scientific findings led to changes in the ship lines, which in turn promoted seaworthiness and maneuverability. The transloading processes were rationalized by the use of double-tracked ramps and elevators on ships with rolling cargo and of cranes with high performance for container transloading. The catch and processing processes of the fishing vessels have also been perfected by the latest technology. All this is at the same time linked with the comprehensive use of microelectronic components, componentry and complete automation systems.

The Kombinat Schiffbau VEB does not only lay down ships but also handles ship repairs, produces ship's equipment, shipbuilding rationalization means, and maritime distress rescue means. Thirty-five gold medals won at the Leipzig fairs testify to the top performances of GDR shipbuilding.

12356

CSO: 2300/405

HUNGARY

# STATISTICAL REVIEW OF RETAIL TRADE SUPPLY

AU241348 Budapest NEPSZABADSAG in Hungarian 22 May 85 p 10

[Article by Andras Nyiro, Deputy Head in the Ministry of Domestic Trade:  
"The Consumer Goods Market"]

[Text] In the first quarter of 1985 retail sales turnover amounted to 112.2 billion forints, which at current consumer prices was 6.2 billion forints or 5.9 more than at the same time last year. Retail trade prices exceeded those of last year by 6.7 percent. During the first quarter the most considerable increase was registered in the sales of food, beverages and tobacco. In this main commodity group there are increases not only in consumer prices, but also in comparable prices, while the sales of the other main commodity groups show a decrease calculated by the unchanged price level of 1984.

## Retail Sales--1st Quarter 1984

Main commodity group	Billions of forints	As a percentage of the same period in 84	
		Current price	Price index
Food, beverages and tobacco	47.5	107.5	105.3
Clothing	13.0	105.1	109.5
Miscellaneous industrial articles	51.7	104.7	107.2
Total	112.2	105.9	106.7

Retail sales increased especially rapidly during January (9.5 percent) and somewhat more moderately in February and March. It can be observed that a faster than average increase in sales was characteristic of trade in food, beverages and tobacco during the first 3 months. This increase is explained by the excessive purchases prior to the January price increases and also to the higher prices. A greater rate of fluctuation in trade can be observed in the case of clothing articles where the 9 percent sales increase in January was followed by stagnation in February and by an almost 7 percent increase in March.

The moderate increase in trade in the first quarter is also explained by the fact that compared to last year, the population's cash income has shown a gradually decreasing tendency and there were 2 fewer working days this quarter than last year.

In the first quarter of 1985 the supply of trade was somewhat better than last year. The number of articles for which supply is considered good increased moderately, but there was a decrease in those goods whose supply is unsatisfactory and is considered insufficient.

Based on a representative survey trade experts and the people made the following statements about the supply to the trade:

There was a good supply of basic food commodities: raw meat, meat articles, edible fat and, despite the increased purchases the supply of sugar and flour was also good. There was a satisfactory amount of winter stored potatoes, vegetables and fruit and the price of these goods, except for certain fruit, did not exceed that of last year. At the same time, because of the drought-stricken production last year, there were problems concerning the amount of certain articles on sale, as for instance vegetable preserves, ready to eat dishes, deep frozen goods and pickles. In general, the supply of clothing followed the level of last year. Because of the imports that arrived in the meantime, and for other reasons, there was a much better supply of underwear, while mass produced outerwear and footwear did not reach the supply level of last year.

Among the miscellaneous products the greatest problems registered in the first quarter were in the supply of fuels. Sales restrictions had to be introduced because of insufficient supply. By the end of the first quarter the tense situation had considerably improved as a result of growing production and better weather conditions. A new problem was caused by the struggle for continuously and satisfactorily supplying the demand for telecommunication and technical instruments, especially black-and-white and color television sets. It is satisfactory, however, that there was a better supply of household electrical equipment especially refrigerators. During the first quarter of construction materials which were registered during the same time last year, and this decrease was mainly due to the cold weather and the results of measures issued in the past.

During the first quarter, domestic industry increased its supplies to the retail and wholesale trade by almost 3 percent. There was a special increase in supplies provided by the food industry, but a considerable increase was also registered in supplies from the electric machine and instrument industry, the metal mass products industry, the chemical industry, the textile clothing industry, and the pharmaceutical industry. Compared to last year there was a decrease in supplies from the telecommunications and vacuum technology industry, the textile industry, as well as the leather, fur, and shoe industries. Imports of consumer goods by the trade roughly equalled the amount of last year. Imports of ruble accountable goods decreased moderately, and there was a similar decrease in imports from non-ruble

accountable areas--principally in trade with hard currency-saving sources, between supermarkets and in the realm of border area trade. There was an increase in imports of articles which are in short supply or with a poor range of selection.

During the first quarter, compared with the same time last year there was no improvement in the contractual relations of domestic industry and the trade enterprises did not have signed contracts for the current year because last year their industrial partners had entered contracts for a quantity of goods greatly inferior to the amounts expected. There were several large industrial enterprises that indicated, that because of the energy restrictions in February, delivery commitments for the first quarter cannot be fulfilled. The situation had somewhat improved by the end of March because production enterprises tried to make up for the underfulfillment of their plans. Despite all production efforts it proved impossible to satisfy all contractual commitments, particularly in the production of clothing articles. However, one can consider as satisfactory the manner in which contracts were fulfilled relating to production of household chemical articles and, partially of furniture. In this last category supply exceeded demand.

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POLAND

## SEJM COMMISSIONS DEBATE FEATURES OF 1986-1990 PLAN

Warsaw RZECZPOSPOLITA in Polish 24 May 85 p 2

[Reports of Sejm commissions on the National Socioeconomic Plan for 1986-1990 and the National Annual Plan for 1986]

[Text] The Sejm commissions have begun their work on two documents submitted by the Council of Ministers' Planning Commission: The variants contained in the National Socioeconomic Plan for 1986-1990 and the assumptions of the National Annual Plan for 1986. Five commissions met on 23 May 1985. Following are reports of their meetings.

### Industry

Deputies in the Commission on Industry took part in the discussion on the plan for the next 5-year period.

A comparison of the documents submitted with the 1983 3-year plan indicates that the goals of both plans have not changed essentially, although in the case of the National Socioeconomic Plan (NSP) for 1986-1990 only the concepts and restrictions with which the national economy must contend are mentioned. In the case of industry the primary obstacles are raw materials and energy, which make economy an imperative in all enterprises, although obsolete machinery is adversely affecting the technical quality of manufactured products.

It takes investment to modernize industry. In order to choose a plan option it is necessary to choose among the particular branches and sectors of industry which will satisfy society's most indispensable needs. The deputies favored the second variant, although it was emphasized that this choice was dictated by the economy's capabilities, while the third variant corresponded best to expectations.

The following deputies took part in the discussion, which was chaired by deputy Henryk Szafranski (PZPR): Jozef Wojtala (SD); Wladyslaw Cabaj (ZSL); and Antoni Seta, Leslaw Laskowski, Elzbieta Rutkowska, Dobromila Kulinska, Gustaw Czerwik, Jozef Kolat, Helena Daniszewska, Wladyslawa Jabrzyk, Barbara Majzie, Zdzislaw Wydrzynski, and Marianna Staniewska--all PZPR members.

## Foreign Trade and Maritime Economy

The Sejm Commission for Economic Cooperation with Countries Abroad and Maritime Economy, meeting on 23 May 1985 under the chairmanship of deputy Tadeusz Lodykowski (PZPR), examined the variants of the NSP for 1986-1990 and the assumptions of the NAP for 1986 as they pertained to foreign trade and the maritime economy.

The deputies' discussion, which preceded the introductory remarks made by the deputy chairmen of the Planning Commission, Jozef Zajchowski and Jerzy Gwiazdzinski, and Tadeusz Nesterowicz, minister of foreign trade, ruled out the acceptance of variant 1 (meeting minimal socioeconomic needs). Most of the speakers favored variant 3 (accelerating the level of consumption and creating better conditions for development after 1990).

In all three variants of the NSP the growth rate of export is higher than the growth rate of the national income generated, although taking into account both the very low share of Poland's export production (per capita) and the need to repay indebtedness, society does not have an adequate understanding of the need to stimulate export and to change the structure of the economy in such a way as to make full use of our country's economic potential in the international division of labor.

Due to reduced coal-mining capability (coal being one of the main export products), export production in the electromachinery and chemical industries must be intensified. The tasks outlined for these industries in the draft NSP, as stressed in the discussion, are extremely critical.

As regards the maritime economy, the deputies acknowledged that renovation and modernization of the maritime fleet and modernization of conventional wharfs in ports, are important. These tasks must be coordinated with foreign-trade plans. However, envisaging increasingly higher exports in the draft NSP while maintaining the fleet's hauling potential at its present level, will bring about a weakening of the role of the maritime economy in the generation of national income. As a result, its effect on the state's balance of payments will be diminished. As emphasized by deputy T. Lodykowski, this may mean delays in implementation of Ninth PZPR Congress resolutions on matters dealing with maritime economy and on resolutions passed by the Sejm on the state's maritime policy.

The following deputies took part in the discussions on a choice of NSP variants and NAP 1986 assumptions: Longin Cegielski (ZSL), Jozef Gorniak (PZPR), Tadeusz Lodykowski (PZPR), Witold Lipski (ZSL) and Zdzislaw Pukorski (SD).

During the second half of the meeting the deputies looked into problems relating to services rendered by the seaports and the commercial fleet to Polish foreign-trade haulage.

## Domestic Trade, Small-Scale Production and Services

The concepts contained in the NSP for 1986-1990 and the assumptions of the NAP for 1986 were also examined on 23 May 1985 by the Sejm Commission on Domestic Trade, Small-Scale Production and Services.



However, the deputies' discussions were not of a general and overall nature but were concentrated on problems directly relating to domestic trade. Strategic planning assumptions were regarded only as a starting point for detailed discussions on the expansion of trade, "consumer" investments, the creation of a pro-trade orientation in the economy, and an increase in the share of small-scale production. This "market" approach which the deputies deliberately applied to their examination of the NSP immediately revealed a number of ambiguities and gaps in the materials submitted for consultation. The deputies' reservations pertained both to how some issues critical to domestic trade were conceived as well as to the size of proposed indexes and records.

The materials, perhaps because they are so extensive, are very difficult to unravel, deputy Jerzy Jozwiak said. It is not possible to find in them answers to questions which interest us the most: what will be the structure of our production, what will be the share of market production in the next 5-year period, what portion of investment outlays will be directly connected with commodities and trade, and what are the specific plans for small-scale production and services.

We have received a document, deputy Olga Rewinska remarked, in which a great deal of space is given to tasks and assumptions. But almost nothing is said about the means for implementing these assumptions. In sum, it is difficult to determine how realistic these proposals and goals really are.

Other deputies spoke out in a similar vein. As an example and an argument for justification of their reservations they cited small-scale production. It will not achieve the single planning record of the 3-year plan now ending--an increase in "small-scale's" share in total production to 10.8 percent. The main cause of this is the failure to adapt supply, tax and organizational policies to the goal that was set. The deputies stressed that this lack of coordination of goals and means compels us to be far more cautious in assessing the tasks and records of the new planning proposals. According to the deputies, the NSP does not adequately deal with the problem of services. This long-critical area requires particular planning precision, yet it is not reflected in the documents. In sum, the deputies predicated their opinions and conclusions on getting more information and on changing the approach to the plan and the plan to the market.

The following deputies participated in the discussion: Jerzy Jozwiak (SD), Olga Rewinska (PZPR), Jadwiga Biernat (ZSL), Eugeniusz Czulinski (SD), Tadeusz Kalasa (SD), Zdzislaw Sikorski (PZPR), and Jan Bojarski (no party affiliation).

#### Housing Construction

Deputies from the Commission for Administration, Regional Economy, and Environmental Protection and the Commission for Construction and Construction Materials Industry, at a meeting held on 23 May 1985 which was devoted to a discussion of variants of the NSP for 1986-1990 and assumptions of the CAP for 1986, discussed the number of apartments which will be built in the next 5 years, the money necessary for this purpose, the delivery of materials, and building costs.

The meeting was attended by the vice-chairman of the Council of Ministers' Planning Commission, Ludwik Ochocki, and representatives of the ministries of administration and construction.

It was pointed out in the discussion that many of the formulations presented in the variants of the NSP for the next 5 years are in conformance with the resolution passed in July 1984 by the Sejm on housing policy to 1990. But the specific number of apartments (1,150 thousand) to be built by 1990 is given only in variant 1. The other variants speak only of a growth in outlays. If we are now supposed to take a position on the proposed amount, the deputies said, then it should be said that the amount of 1,150 thousand apartments does not guarantee that at the end of the 1980's 300,00 apartments will be built each year, in accordance with the afore-mentioned Sejm resolution. After a few hours of discussion the deputies declared themselves to be in favor of variant 3, which provides that outlays for construction will be increased on the order of 10 to 12 percent.

The following deputies took part in the discussion which was chaired by deputy Ludomir Stasiak (ZSL): Mieczyslaw Rzepiela (ZSL), Stefania Bruzda (PZPR), Felicja Tomiak (PZPR), Zdzislaw Fogielman (PZPR), Mieczyslaw Lubinski (PZPR), Wladyslaw Kupiec (ZSL), Krystyna Wawrzynowicz (SD), Zdzislaw Wilk (PZPR), Jan Dihm (SD), Jan Kaczorowski (PZPR) and Zbigniew Zielinski (PZPR).

#### Environmental Protection

Deputies from the Commission for Administration and Environmental Protection were satisfied. Their many years of effort to give environmental protection its proper standing brought initial results. Many of the demands submitted earlier at a meeting of the Sejm commission were contained in the NSP for 1986-1990. It was determined that the importance attached to problems of the protection of the environment is steadily growing and the actions now proposed will result in a speedier halt to the degradation of the landscape and each successive year will bring a decided improvement.

Repairing all of the damage caused to nature by man is a long-term process. During the next 5 years there will be a struggle in behalf of water purity. The investments proposed will make it possible to solve the problem of water for the cities and will also help to restore this water to its former purity. By the end of the 5-year period 58 percent of our households will be receiving good water.

However, the deputies warned against undue self-satisfaction. We will still be spending one-and-a-half to three times less for environmental protection than is being spent in other European socialist countries.

That is why the size of outlays proposed in the NSP must absolutely be maintained. Only then can ultimate ecological balance be achieved.

The following took part in the discussion: Deputies Henryk Kostecki (PZPR), Marcelli Faska (SD), Edmund Skoczylas (PZPR), Zenona Kuranda (PZPR), Tadeusz Klofik (ZSL), Bronislaw Wiecek (PZPR), Wladyslaw Janik (ZSL), Ludomir Stasiak (ZSL). Prof. Stefan Jarzebski, minister and manager of the Office of Water Management and Environmental Protection, and representatives of interested ministries, explained various problems to the deputies.